SENATE—*Friday, October 11, 1991*

(Legislative day of Thursday, September 19, 1991)

The Senate met at 9:45 a.m., on the expiration of the recess, and was called to order by the Honorable PAUL SIMON, a Senator from the State of Illinois.

APPOINTMENT OF ACTING PRESIDENT PRO TEMPORE

The PRESIDING OFFICER. The clerk will please read a communication to the Senate from the President pro tempore [Mr. BYRD].

The assistant legislative clerk read the following letter:

U.S. SENATE,
PRESIDENT PRO TEMPORE,
Washington, DC, October 11, 1991.

To the Senate:

Under the provisions of rule I, section 3, of the Standing Rules of the Senate, I hereby appoint the Honorable PAUL SIMON, a Senator from the State of Illinois, to perform the duties of the Chair.

ROBERT C. BYRD,
President pro tempore.

Mr. SIMON thereupon assumed the chair as Acting President pro tempore.

RECESS UNTIL 10 A.M. TUESDAY, OCTOBER 15, 1991

The ACTING PRESIDENT pro tempore. Under the previous order, the Senate now stands in recess until 10 a.m. Tuesday, October 15, 1991.

Thereupon, at 9:45 o'clock and 20 seconds a.m., the Senate recessed, under the order of Tuesday, October 8, 1991, until Tuesday, October 15, 1991, at 10 a.m.

• This "bullet" symbol identifies statements or insertions which are not spoken by a Member of the Senate on the floor.

HOUSE OF REPRESENTATIVES—*Friday, October 11, 1991*

The House met at 10 a.m.

The Chaplain, Rev. James David Ford, D.D., offered the following prayer:

Teach us, O God, not to separate the unity of the world You have created, the spiritual from the material, or to divide our lives into compartments of the natural and the supernatural. Remind us that we ought to affirm the relationship between prayer and work, between worship and service, between words and action. May the words we say with our lips, be believed in our hearts, and all that we believe in our hearts, may we practice in our daily lives. Amen.

THE JOURNAL

The SPEAKER. The Chair has examined the Journal of the last day's proceedings and announces to the House his approval thereof.

Pursuant to clause 1, rule I, the Journal stands approved.

PLEDGE OF ALLEGIANCE

The SPEAKER. Will the gentleman from Florida [Mr. GOSS] please come forward and lead the House in the Pledge of Allegiance.

Mr. GOSS led the Pledge of Allegiance as follows:

I pledge allegiance to the Flag of the United States of America, and to the Republic for which it stands, one nation under God, indivisible, with liberty and justice for all.

A BILL TO REPEAL PRIVILEGES AND GRATUITIES FOR MEMBERS

(Mr. BENNETT asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. BENNETT. Mr. Speaker, only a very few Members of Congress have really done anything improper in my opinion, but it has hurt the institution to have so much criticism for things which are relatively trivial and should be corrected.

I am introducing today a bill which would provide for repeal and prohibition of all exemptions, privileges, and gratuities for Members of the House of Representatives and of the Senate. These things are not things that are important to the country's welfare and they ought to be abolished, and we ought to get on with making the Congress the effective group that it desires to be and actually is in most instances.

REPORT ON RESOLUTION PROVIDING FOR CONSIDERATION OF H.R. 3371, OMNIBUS CRIME CONTROL ACT OF 1991

Mr. GORDON, from the Committee on Rules, submitted a privileged report (Rept. No. 102–250) on the resolution (H. Res. 246) providing for the consideration of the bill (H.R. 3371) to control and prevent crime, which was referred to the House Calendar and ordered to be printed.

MY ADVICE TO THE PRIVILEGED ORDERS

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Texas [Mr. GONZALEZ] is recognized for 60 minutes.

Mr. GONZALEZ. Mr. Speaker, today I take this great opportunity to address the House in what we call special orders in order to report on the agitating and continuing prime and fundamental issue confronting this country now for some time and into the foreseeable future. That is the situation with respect to our financial, banking, and generally economic institutional life.

I believe the country is very much concerned about what they have been reading for a few years, and it seems that so many of the citizens that have either written me or that I have met with have something that happened precipitiously overnight, unexpected, and just not generally reporting any awareness. Nothing could be further from the truth.

There were some of us that were seeking out as long as 30 years ago, when I first arrived on this scene and was assigned to the Committee on Banking, Finance and Urban Affairs.

I spoke since then, and the reason I am reminded of this is because when all of this happened, and I had opted to remain on what I considered to be the assignment that I could best address my attributes and my background and my interest, and that was the Committee on Banking, Finance and Urban Affairs, known as the Banking and Currency Committee when I came here. And that was from the beginning of the organization of the Committee on Banking, Finance and Urban Affairs, as a result of the 1865 National Currency Act, President Lincoln's great concern at the time of his death.

What he feared the most ended up happening. It was the beginning of the creation of a national banking system. From the very beginning, the power to allocate credit, as it is in every society, but particularly intertwined in the history of our country from its very initial stages of national formation, when the First and Second Continental Congresses were organized.

Remember, those were the first years of our national existence as a Nation. That is, it was the first glimmer of the bond that existed among the Thirteen Colonies out of a total of actually 34.

This is a part of history we just do not learn in the history books. We were at one time part of a configuration of 34 States going into what is now Canada, but the Thirteen American States first found themselves in a common bond in their Continental Congresses to which they elected delegates. And the delegates then, the biggest issue was what were they going to do about their banking. Everybody needs a banker, not only individuals but particularly our governmental organizations.

Thomas Jefferson, from the very beginning, I think, set the essential or the essence of the decision. And that was whether the people, through their elected representatives or delegates at that time, and I want to remind my colleagues that for the first 10 years of national existence, such an office as what we call the Presidency today was not even thought of. It was a feared institution. The thing that was feared the most would be that something would be created that would resemble what they were fighting and what they had fled from, which was kings and the like.

This is the fundamental difference, the essential difference to this day, even though we have ironically on the 200th anniversary more or less of our form of government and of the Constitution, have been asked to uphold. And we have not done a good job, because we have completely changed around the original intention of those who debated in the Constitutional Convention.

Actually, it was a good reason why, after they arrived at the formation of such an office, placed it in article II, not article I of the Constitution.

□ 1010

But the most fundamental words are in the preamble of the Constitution because they clearly indicated and are even to this day the most revolutionary words ever uttered.

But can you imagine in a world in which every country was governed either by a king or a czar or an oligarchy of these Americans saying, "No"? Sov-

□ This symbol represents the time of day during the House proceedings, e.g., □ 1407 is 2:07 p.m.

Matter set in this typeface indicates words inserted or appended, rather than spoken, by a Member of the House on the floor.

ereignty or the source of all power is in the case of kings they go to God, divine right, but not the people. So this is why the preamble of our Constitution to this day is the most radical. And we have strayed from it. And it says, "We the people of the United States." It does not say we the Congress or I the President or we somebody else. It says we the people of the United States. That was the most revolutionary concept ever uttered in a world of kings.

So finally when the Constitutional Convention after 10 years of faltering, and the Confederacy, the debates clearly revealed such as we have record of, that they feared setting up an office that would not be absolutely subject to control and the power of the people, either through their elected Representatives in the Congress or by some residual, inherent sovereignty called back by the people themselves. So one of the first issues was what do you do in order to finance these first beginnings.

So they called in the bankers in Philadelphia. But like always they said oh, yes, we will if you will let us control the situation, and we will tell you what we can let you have, but only on the basis of these interest rates.

Thomas Jefferson fulminated. In fact, the most bitter words against banking or bankers as a class are Thomas Jefferson's words, even to this day. And they finally chartered the Bank of North America, and they capped the interest rate. And the same thing happened then as happened all through history, the bankers said oh well, we are not going to lend you, but they did. They realized that the only thing they did not get away with was the terms and conditions under which credit would be allocated to a country.

But we cannot extrapolate, we cannot compare that Nation of that time, people of 3 million at the most in totally rural situations in which one of the basic issues for the fight against the crown was the fact that all manufacturing, the mercantile system, which incidentally, ironically, we have returned to as of the middle of the 1980's, we have become a debtor Nation for the first time in 1985 since 1914, and we have become a net importing Nation rather than exporting. We are not a producing Nation anymore, and that was the mercantile system. England and the other countries who worked through a colonial system of mercantilism forbade the colonies from doing anything, to manufacture even their own natural resources. And that was one of the basic economic reasons for the American Revolution. And of course, we turned it around.

But it was not until the 20th century and after the failure of the structure that was visualized in the 1865 National Currency Act, and they called it the greenback bills of 1863 and 1865 in which then, like now, the Government is struggling to pay its debts, did not know how to do it on account of the Civil War, and went through a lot. And then, as now, in the post-Civil War period, as we in the post-World War period suffered from a collapse of the moorings, the old moorings to which we are tied, institutions, moral standards, and everything else, they erode. Mankind just cannot have the kind of bloodletting that these wars in the 20th century have recorded, and even the Persian Gulf in which we actually eliminated even civilians, but even excluding civilians in the Persian Gulf we had over 100,000 Iraqi Muslims killed by us. You cannot have that without having some repercussion somewhere down the line. There is a higher law than our man-made laws that govern, a sort of a law of compensation that seems to be operative in human destiny, and this is what happened when the system was created, and in which even today we must debate fundamentally whether we are going to adhere to it as we have already gone a long way in abandoning it.

The point is that the situation is absolutely critical. The reason I am speaking and have spoken out, even though I do not make big press releases about this, I speak for the RECORD to my colleagues as these special orders are intended, and mostly for the RECORD. I have been speaking out since I came to the Congress 30 years ago in special orders. There was no TV or even the thought of it. But it was the RECORD, and it is in the RECORD. And unfortunately, where there is no vision a nation or a people perish, and we have no vision. We have not wanted to peer into the future and anticipate, particularly since we have known the world after 1945 in which America was the sole producer in the entire world of any magnitude. Even in the early 1950's, and at the start of the so-called Marshall Plan, we were producing 80 percent of the world's needs. By a decade later that had shrunk to 30 percent, and today it is not even 18 percent.

So we have to be realistic about what is happening here from an overall perception, and not just as we have been floundering from one emergency or one seeming crisis to another. We have the S&L crisis. We could not get together any visible opinion that in 1989 the S&L's were not out there in an orbit all to themselves. They are in the marketplace, and what was happening there was bound to impact on every other competing financial institution, banks, credit unions and other commercial and securities institutions that have gone heavily into financing from insurance to securities and bond houses.

So I was very much distressed and spoke out and criticized the President for his astounding capitulation under the pressure of some of the big factotum bankers to try to blame the regulators for the bad economic conditions our country is going through. I do not think we ought to deceive ourselves. It is not a question of whether it is a recession or not. The economists, all of the big-shot economists used to define a depression if it was a recession that lasted more than a year. Well this is what we have had, and nobody wants to call it that because everybody seems to be scared to confront the reality of what our country is facing.

We have an unacceptably high rate of unemployment. We have an unacceptable debt structure on every level of our society, governmental, private, you and I, and corporate, the greatest debt structure in the total history of mankind.

□ 1020

Now, it would be fine if we were still in that condition that we were in the late 1940's–early 1950's, but we have not been. Since the 1960's in President Johnson's Presidency, I have been speaking out. It is not something that I have thought of now. Nobody has ever heard me take this podium and use this privileged, hallowed hall to inject a purely partisan political type of stumping.

I firmly believe, and have said all along, that I insult the intelligence of my colleagues if I do that, because if that is what I want to do, I am going to reserve that for the political campaign back home on the stump, not in the hall of the House. I do not think that is right. I think it is an abuse of our rules and the privilege. This is a privilege.

The reason the privilege was established, and I have looked up its history, is that, and there is good reason for it, that in a multiple body such as this, a Member must be given an opportunity at some time to enlarge on a particular subject matter about which he feels very strongly or in which he has more than just a casual attachment or responsibility for. And so they provided that after all business has been completed, a Member, through unanimous consent, can be permitted to address the House for no more than 1 hour, up to 1 hour. That is it. But I think that is a wonderful privilege.

Now, some Members are inclined to, some are not. I felt that, given the responsibilities of my committee assignments, I had to speak out, and I have through the years.

Today I am going to refer to notes I have prepared so that there will not be any intimation that I have injected politics.

In fact, my fellow Democrats took me to task at the formation of this Congress in January because they felt I had been too friendly with the Republicans. Well, anybody that knows me back home laughs at that, on the history of my political association and my behavior and my comportment back home, but that is not incidental to this here. The only reason I am mentioning it is that I do not want my remarks to be interpreted as something that is partisan. I am just calling the shots as I see it.

Because it is very disturbing to see President Bush abandon the firm position he took 2 years ago in the case of the S&L crisis, and now under the pressure of some of the bankers, and these are two developments that have occurred this week. They have focused new attention on the Nation's financial regulatory system.

Mr. Speaker, these two developments are, first, President Bush's and Secretary of the Treasury Brady's announced new plan to loosen regulation of the Nation's 12,200 commercial banks, a step so reminiscent of the 1980's when so-called forbearance, and that is a fancy word in banking jargon that means, forbearance, it means you hold up enforcing such things as adequate capital standards and the like, so forbearance and regulatory laxness. That was the order of the day in the early 1980's.

We were a lonely voice. In fact, I say this with sadness, not with braggadocio. Mine was the only voice and vote on the Committee on Banking, Finance and Urban Affairs that voted against the very measures that today are blamed for what happened in the S&L's. But everybody was riding the merry-go-round then, and you could not break through the level of consciousness.

But astoundingly, here is the President and here is the Secretary of the Treasury saying, "Hey, you know, the reason we are having problems here is because the regulators are being tough on these bankers."

How are they being tough? Are they saying, "You shall not have these great privileges?" Because our bankers today, through our fractional reserve system, actually are the ones that are coining our money, printing our money. If you take your dollar bills out of your pockets or any other denomination, you will see that they say "Federal Reserve Note." Well, the Federal Reserve is the private commercial banker's institution. It is not a Federal agency. I have been saying this for 30 years. It seems to surprise sometimes some of the Members.

When I came to the Congress, because of President Kennedy's executive order which has been forgotten, if I dipped into my pocket and pulled out, say, five $1 bills, at least two or maybe three out of those five would have "U.S. Treasury Notes," not "Federal Reserve Notes." Now, there is a big difference there, but I will not go into that now, because it is complicated. It is not that complicated. Actually it is made to look complicated.

What it means is that the bankers are the ones who are funding our economy. They are the ones that are determining the allocation of credit, not the Congress, as the Constitution says it should. The Federal Reserve Board Act of 1913 says that the Federal Reserve Board shall be the fiscal agent of the U.S. Treasury. That is not the way it is now. It is the other way around.

The second thing was that the Federal Reserve started letting the Nation know what many of us in the Congress have known for years, not suspected but known, in that there is a widespread discrimination in lending at insured financial institutions, and that there is widespread redlining. What does redlining mean? It means that in our communities there are some areas where that bank is not going to lend anybody any money.

Mr. Speaker, the President of the United States has made a serious mistake in easing regulations under the guise of softening the credit crunch.

Why is it we still have a credit crunch even though the Federal Reserve Board, since a year and a month ago, in obedience to trying to loosen bank credit, knocked off that 3-percent reserve requirement they had and it did not bring about the banks lending?

Since then, the Federal Reserve Board has taken action to reduce interest rates. It has done a couple of other things with respect to reserve requirements, and the banks are saying today publicly, "Well, we are still not going to lend," and they will not, and they are not.

The Depression was a good experience, good track record. It took 3 years after, by any accepted standard, the crisis was over with, after the bank holiday, before banks started lending again.

I will tell you this: the Fed can turn somersaults. It has lost control of interest rates, and it has done so for at least 5, 6 years, as I brought it out in hearings with the former Chairman of the Fed, Mr. Volcker, because we now no longer have control over forces external to our shores that impact on us.

□ 1030

And we just do not have that ability to control those forces. The President's instructions that the regulators go easy will not do anything for the so-called credit crunch, but it will create a brand-new crunch, a bone-crunching of taxpayers who will pay a heavy price for a new round of regulatory laxness. It is amazing that President Bush and Secretary of the Treasury Nicholas Brady can forget history so quickly after the savings and loan debacle, a debacle which will cost the taxpayers at least $500 billion before the so-called cleanup is completed.

Less than 3 years ago, the President stood on the front steps of the White House, promising an end to regulatory laxness and assuring the public that never again would we allow taxpayer-supported deposit insurance funds to be placed at risk.

Well, it looks like that "never again" has just arrived at 1600 Pennsylvania Avenue. Under the Bush/Brady plan forbearance becomes part of the regulatory manual once again. The package is sprinkled with nice-sounding phrases about changes, clarifications, quote, unquote; orderly restructureship, quote, unquote; prudent refinancing, quote, unquote, lowering burdens, quote unquote; and warnings against something called regulatory retribution, quote, unquote.

This is the same sort of doubletalk that infected the regulation of thrifts in the 1980's, and it hid massive losses until there was nothing left but the taxpayers to pick up the debris.

Banks can make good loans with good regulation. It does not take forbearance and regulatory laxness. There is nothing incompatible with a strong regulatory system and an adequate flow of credit for the economy.

We know that the election year is around the corner. Businessmen and bankers, those wonderful people who fill the campaign coffers, they want words of comfort. They, like working people, are unhappy about the administration's failed economic policies. So it is important that the President and his advisers have a scapegoat handy, like bank examiners, supervisors, and regulators. And, if anything, criticism that we have directed, after hearings and during hearings, on the examiners, laxness and forbearance is certainly not one of those that we can properly criticize.

With the carcasses of the savings and loans still scattering the landscape, the President should not use financial regulation as a campaign issue. The President should keep bank examiners and bank regulation out of next year's elections. Every one of us should.

That is what I have said since I became chairman of the Banking Committee, right at the time that it began to penetrate the level of consciousness of, let us say, the media.

To give you an idea, President Reagan left office on January 20, 1989, and he never once mentioned the S&L crisis. To his credit, and I gave him credit, President-elect Bush and Secretary Brady, soon after the election in November 1988, said that we have a crisis, we are going to look at it, we are going to address it, we are going to try to do something and we are going to recommend a bill.

I came all the way up in order to meet for the first time the Secretary and compliment him on at least, finally, on the highest administrative level where we had failed to do it in the prior administration, there was recognition that you had a real serious problem and the acceptance of the responsibility to do something about it.

So I am particularly concerned about the remarks of both the President and the Secretary. The President talks about examiners creating a chilling atmosphere for bankers. Here again, time after time, I have to remind my colleagues on the committee and off the committee we in the Congress are not here for the convenience of the bankers or the S&L'ers or any special interest. We forget that. This is what happened in 1979, 1980, 1982, so-called regulatory laws that President Reagan's administration and the Congress accepted. They were acting as if we were going to save. Now, how can we in the Congress, through legislative definition or what I call legislative magic, write a law that makes an otherwise solvent institution in the marketplace solvent? We just cannot do it.

Yet here is Secretary Brady saying, well, if the Congress wants to do something about the broke-bank insurance fund, which is the real issue, it has got to have these other things and powers that it has to give these bankers.

It is interesting to note that when the chief executive officer and chairman of the First City Bankcorp, Mr. John Reed, who started out as one of the young whiz kids in banking and is, in my opinion, or has a great mind, when he was asked, "How come you're having this difficult balance sheet problem with your bank? Is it because you don't have enough powers?" He said, "No, no, no. The reason is we have bad loans." He did not say, "We want more powers." He said, "We made bad loans."

So where does this demand come from? Well, it comes from the same place where the similar demands came from S&L's. And that is the guys that want to go into the high-risk ventures, into the stock market gambling. What I say is, "Look, if you want to do that, I would rather take a bet at Las Vegas than gamble there where you have an overvalued stock market." I brought it out 2 years ago when I introduced a bill that was referred to the Committee on Ways and Means pointing out that 10-year Treasury bonds were being held for less than 30 days.

Now, that shows that the process for junkification of Treasury bonds has set in. It had been slow, but all of the things, watershed developments are really like ice glacier movements, very slow. It took 2½ years after the crash in October of 1929 before the Depression was really admitted and clear and undebatable and it was fully felt. It took 2½ years. I said the same thing in October 1987. I said, "Well, you won't see this right away." So the Fed intervened immediately, put $6 billion, $7 billion to stabilize the stock market. That was like what they had been doing with the lender of last resort with the falling banks, and all they have done is enable the big guys, the big, sophisticated investor/speculator to take out his deposits before that bank tumbles down. And it has been hard, it has been a difficult fight to preserve some balance in these things. But I am particularly concerned that our President and our Secretary would say, "Look, boys, if you have any problem with that examiner and that old mean examiner says, 'Hey, fellows, you have a portfolio of bad loans here, and your balance sheet and your asset value has deteriorated, you had better do something about it,' well, don't worry about him, you come up here to Washington and we will fix it up."

That is what Charlie Keating did. Haven't we read all about it?

□ 1040

The President, believe it or not, is actually insisting on a new policy process that will allow disgruntled bankers to bypass examiners and lobby directly with Washington. This is the very thing that we fought so hard to prevent and that the President went out of his way in 1989—and I am going to offer for the RECORD at this point a 1989 Washington Post article, February 2, 1989, entitled "President Bush's Statement, an Excerpt of the News Conference"—and in it he says, "Never again," and "We're going to demand hard-core capital standards."

The statement referred to is as follows:

PRESIDENT BUSH'S STATEMENT AND EXCERPTS OF THE NEWS CONFERENCE

Well, for more than a half a century the U.S. has operated a deposit insurance program that provides direct government protection to the savings of our citizens. This program has enabled tens of millions of Americans to save with confidence. In all the time since creation of the deposit insurance, savers have not lost one dollar of insured deposits, and I am determined that they never will.

Deposit insurance has always been intended to be self-funded. And this means that the banks, the savings and loans, and credit unions that are insured pay a small amount of their assets each year into a fund that's used to protect depositors. In every case these funds are spent to protect the depositors, not the institutions that fail.

For the last 20 years, conditions in our financial markets have grown steadily more complex, and a portion of the savings and loan industry has encountered steadily growing problems. These financial difficulties have led to a continuous erosion of the strength of the Federal Savings and Loan Insurance Corporation, FSLIC.

Economic conditions have played a major role in this situation. However, unconscionable risk taking, fraud, and outright criminality have also been factors.

Because of the accumulation of loses at hundreds of these thrift institutions, additional resources must be devoted to cleaning up this problem. We intend to restore our entire deposit insurance system to complete health.

While the issues are complex and the difficulties manifold, we will make the hard choices, not run from them. We will see that the guarantee to depositors is forever honored, and we will see to it that the system is reformed comprehensively so that the situation is not repeated again.

To do this, I am today announcing a comprehensive and wide-ranging set of proposals. The secretary of the Treasury, Nicholas Brady, will describe these proposals to you in detail in a few minutes. However, I think it's important to summarize some of the major points.

The proposals include four major elements:

First, currently insolvent savings institutions will be placed under the joint management of the FDIC [Federal Deposit Insurance Corporation] and FSLIC, pursuant to existing law. This will enable us to control future risk taking and to begin reducing ongoing losses.

Second, the regulatory mechanism will be substantially overhauled to enable it to more effectively limit risk taking. The FDIC would become the insurance agency for both banks and thrifts under this system, although there's no commingling of funds.

The insurer will have the authority to set minimum standards for capital and accounting. Uniform disclosure standards will also be implemented. The chartering agency for thrifts would come under the general oversight of the Secretary of the Treasury.

Third, we will create a financing corporation to issue $50 billion in bonds to finance the cost of resolving failed institutions which will supplement approximately $40 billion that has already been spent. All of the principal of these bonds and a portion of the interest on them will be paid from industry sources.

However, the balance would be paid from on-budget outlays of general revenues. Hopefully, some of these revenues will be recovered in the future through sale of assets and recovery of funds from the wrongdoers.

Fourth, we plan to increase the budget of the Justice Department by approximately $50 million to enable it to create a nationwide program to seek out and punish those that have committed wrongdoing in the management of these failed institutions. These funds will result in almost doubling the personnel devoted to the apprehension and prosecution of individuals committing fraud in our financial markets.

As you can see, these proposals are based upon several overriding principles:

First, I will not support any new fee on depositors.

Second, we should preserve the overall federal budget structure and not allow the misdeeds and the wrongdoings of savings and loan executives and the inadequacy of their regulation to significantly alter our overall budget priorities.

And third, I have concluded that this proposal, if promptly enacted, will enable our system to prevent any repetition of this situation.

And fourth, I've decided to attack this problem headon, with every available resource of our government, because it is a national problem. I've directed that the combined resources of our federal agencies be brought together in a team effort to resolve the problem.

And fifth, I believe that banks and thrifts should pay the real cost of providing the deposit insurance protection.

The price the FDIC charges banks for their insurance has not been increased since 1935. We propose to increase the bank insurance premium by less than 7 cents per $100 of insurance protection that they receive. Every penny collected would be used to strengthen the FDIC so that the taxpayers will not be called on to rescue it a few years from now.

And I make you a solemn pledge that we will make every effort to recover assets diverted from these institutions and to place behind bars those who have caused losses through criminal behavior.

Let those who would take advantage of the public trust and put at risk the savings of

American families anticipate that we will seek them out, pursue them, and demand the most severe penalty.

In closing, I want to just say a word to the small savers of America.

Across this great land, families and individuals work and save, and we hope to encourage even greater rates of savings to promote a brighter future for our children.

Your government has stood behind the safety of insured deposits before. It does today, and it will do so at all times in the future. Every insured deposit will be backed by the full faith and credit of the United States of America, which means it will be—that it will be absolutely protected.

For the future, we will seek to achieve a safe, sound and profitable banking system. However, integrity and prudence must share an equal position with competition in our financial markets.

Clean markets are an absolute prerequisite to a free economy and to the public confidence that is its most important ingredient. I've determined to face this problem squarely and to ask for your support in putting it behind us.

I have ordered that the resources of the executive branch be brought to bear on cleaning up this problem. I have personally met with the leadership of Congress on this issue. My administration will work cooperatively with Congress as the legislation that we will submit in a few days' time is considered.

I call on the Congress to join me in a determined effort to resolve this threat to the American financial system permanently, and to do so without delay.

I welcome the leaders that are with me here on this platform. I think their support says a lot about the efficacy of our proposal.

And now I propose to take just a few questions. On the technical aspects, I will defer to these people and then I'll be glad to turn this over to Secretary Brady * * *.

CAUSES OF THE CRISIS

Are you guaranteeing that the extra costs, premium increases and so forth, will not be passed on to the depositors, taxpayers? And also, what is your responsibility in this debacle? I mean the Reagan-Bush deal for deregulation of business and banking.

On the first place, we're not guaranteeing that. I would hope that wouldn't happen, but there's no guarantee what the institutions will do. Secondly, there's enough to be said for everybody in this together trying to solve this problem. So * * * I'm not inclined to go into any personal blame, simply to say that we're on the path to doing that.

The House votes tomorrow on that controversial pay-raise plan, and the Senate has already voted against it. Would you sign a bill that vetoes the pay raise, not only for the members of Congress, but also for federal judges and other high officials in the government?

I said I support it.

There is a feeling that part of this problem is attributable to deregulation of the financial industry * * * Do you think that deregulation might have gone too far in the last 10 years or so? And * * * is your marching order to your administration to be a little more careful in regulating this particular industry?

I don't know the answer. I'd be most interested to know what our experts here feel about whether—how much of the problem could be attributed to deregulation. I just don't know the answer to your question, so I can't reply.

Millions of Americans save alternatively. That is, they put their funds in mutual funds, stocks, and that kind of thing. As I read it, you've now outlined a plan that places a lot of the S&L bailout on the backs of the general Treasury. How fair is that?

We've got a major problem and something has to be done. And this is the fairest system that the best minds in this administration can come up with * * * there is no easy answer to this. All I want to do is make a sound proposal, work to put it into effect and have that proposal such that the country won't have to face this problem again.

WHO PAYS FOR THE RESCUE

You said you dropped the deposit-fee idea. But this plan you've given us has an increase in premiums that may be paid by consumers as well as a large amount of taxpayer's money. Isn't that the same thing—consumers and taxpayers are still going to have to pay the price for this?

As I indicated earlier on, there is no guarantee of passing this on to the consumer, nor is there a guarantee it won't be * * *. But this arrangement has been there * * * for 50 years. And you might argue whether it's been passed on or not * * *. I haven't seen the flow-through in the industry. But nothing is without pain when you come to solve a problem of this magnitude.

You've talked to several members of Congress in various receptions and dinners and personal conversations over the past couple of weeks. In many of them you discussed your plan for this problem. What is your feeling for the reception that it's going to get on Capitol Hill and of the selling job that it will make you have to get it passed?

We may have a big selling job. But I've been encouraged so far with the spirit epitomized by the members of Congress, particularly at the joint leadership meeting the other day. We didn't go into every detail of this; these plans were still being formulated and I want to get their views.

I was encouraged by what [FDIC Chairman] Bill Seidman told me earlier on about * * * what he felt the receptivity of the plan will be. But I don't think it's fair to the Congress to say that they have signaled to me that they are going to be enthusiastic on this plan, although I hope they are.

On these allegations that surround Tower now, at least variations on the theme surfaced early in the transition—allegations of womanizing and taking money from defense contractors, that sort of thing. Have you satisfied yourself that he is still the nominee you want? And can you give us, at this time, a wholehearted endorsement of Tower?

Yes, I can, and I will right now, because some of the very same allegations that were floated that long ago apparently have been looked at and examined by the best possible examiners—I'm talking about the FBI—and found to be groundless. So, therefore, I'm not about to change my view. Now if somebody comes up with facts, I hope I'm not narrow-minded enough that I wouldn't take a look, but I am not going to deal in the kinds of rumors that I've seen reported and then knocked down and then reported and then knocked down.

STATEMENT BY SECRETARY OF THE TREASURY NICHOLAS F. BRADY REGARDING THE PRESIDENT'S SAVINGS AND LOAN REFORM PROGRAM

Thank you, Mr. President. From the day five months ago that I was sworn in as Secretary of the Treasury, achieving a sound, responsible resolution to the savings and loan crisis has said, there are no simple or painless solutions to this problem. When he took office eighteen days ago, the President reaffirmed our commitment to fix it now, fix it right, and fix it for good. He also directed me to consult with Congress, and we have done so.

Two watch words guided us as we undertook to solve this problem—never again.

Never again should we allow a federal insurance fund that protects depositors to become insolvent.

Never again should we allow insolvent federally insured deposit institutions to remain open and operate without sufficient private capital at risk.

Never again should we allow risky activities permitted by the states to put the federal deposit insurance fund in jeopardy.

Never again should we allow fraud committed against financial institutions or depositors to be anything but a serious white collar crime.

The plan I am about to describe to you meets all these requirements. It is a blueprint for comprehensive reform and financing. It is supported by all the federal bank regulators—the Federal Reserve, the Comptroller of the Currency, the Federal Home Loan Bank Board and the Federal Deposit Insurance Corporation. I will first describe the crucial reform program, then turn to the financing structure.

But before I begin, let me stress that insured depositors need not worry. Insured deposits are as safe today as they were yesterday, regardless of whether these savings are in savings and loans or commercial banks; savers with insured accounts will continue to be protected in the future. The banks that are open today will be open tomorrow. Our aim is to ensure that there will be no disruption of services in local communities. Above all, federally insured savings are, and will remain, backed by the full faith and credit of the federal government.

Now for the reform program. The current organization of the thrift system dates to the New Deal era. As the events of the 1980's have demonstrated, this system is antiquated. The Federal Home Loan Bank Board, under the leadership of Chairman M. Danny Wall, has addressed this crisis in an expedited manner under extremely difficult circumstances—with inadequate funding and limited staff. The men and women who work at the Bank Board and the FSLIC deserve our thanks for their tireless efforts. But, to correct long-term structural problems, we propose the creation of an independent insurance agency to protect depositors. FSLIC will be consolidated with the FDIC. The existing expertise and manpower of FSLIC will be incorporated into the FDIC. However, and I stress this point, two separate insurance funds, with separate premium streams, one for S&Ls and one for banks, will be maintained. The two separate funds cannot be commingled.

In conjunction with this step, we propose to reorganize the existing regulatory structure to ensure the availability of home financing in the future. The entire supervisory structure will be accountable to the Chairman of the Federal Home Loan Bank System, instead of to the industry they regulate. And the Chairman of the revitalized Federal Home Loan Bank System, like the Comptroller of the Currency, will report to the Secretary of the Treasury.

In a further measure to put our financial institutions on a sound footing, we will require that the level of private capital be uniform for all banks and S&Ls in adequate quantities to act as a buffer to the deposit insurance funds. Therefore, by June 1, 1991, all insured institutions must meet the uniform capital standards applicable to FDIC-insured banks. For the savings and loans this will mean roughly doubling the required capital.

We are upgrading safety and soundness measures. If this plan is enacted, in the future depositors will be protected through a range of new measures, including: A capital requirement that will be pegged to the risk of S&L investments; Stricter standards for granting insurance; Prohibitions and restrictions on growth and risk-taking by undercapitalized institutions; And, where risky activities authorized by the states pose a threat to the insurance fund, federal deposit insurance standards will prevail.

Requirements for receiving federal deposit insurance will be determined by the FDIC. There will be no more windmill farms financed by federally guaranteed deposits; and new uniform accounting, supervisory and disclosure standards will help enforce these measures.

Lest anyone have any doubts about how serious we are about cleaning up the thrift industry and keeping it clean, we are upgrading enforcement and increasing penalties to make fraud against financial institutions and depositors a most serious white collar crime. Under our plan, the maximum civil penalty will be increased from the current $1,000 per day to $100,000 per day. Under our plan, the U.S. government will make every effort to recover squandered funds by increasing funding for enforcement.

These reform measures are vitally important to the future of the thrift industry. Without them, we will not have a healthy private savings and loan industry to provide home financing for Americans. But as we are all acutely aware, reform and a financial solution to the problems of the current system go hand in hand. When combined with the $40 billion already spent, the $50 billion in new funds provided by this program will bring to $90 billion the total amount available to address the problems of insolvent S&Ls.

We believe it is essential that we resolve, with all deliberated speed, the cases of the insolvent S&Ls. We will do so through the creation of the Resolution Trust Corporation (the RTC). It will be a corporation whose function is to isolate insolvent S&Ls from healthy ones and resolve them in an orderly fashion. The RTC mechanism will allow one consolidated resolution process where accounting for—and controlling the funds will be a clear and straightforward process. In short, strict accountability will be ensured. The RTC will not have a large staff and the FDIC will manage the resolutions. The work of the RTC will be overseen by a board consisting of the Secretary of the Treasury, Chairman of the Federal Reserve, and the Comptroller General. A funding corporation will sell $50 billion in bonds over the next three years to finance the resolution.

Our plan for financing the recovery and restructuring of the S&L industry uses both private and public funds to resolve insolvent thrifts. This plan is on-budget, in other words, every cent of additional public funds spent counts as an increase in budget outlays. Funds for the payment of principal will come from S&L industry resources.

In all, this plan provides funds for three purposes. First, S&L industry and Treasury funds are used to finance the RTC's resolution of insolvent thrifts. Second, S&L insurance premiums are used to create an insurance fund for healthy S&Ls. Third, increased commercial bank insurance premiums help bring the FDIC insurance fund for commercial banks up to a fully funded level. But let me reiterate, no commercial bank insurance premiums are used to resolve insolvent S&Ls or go into the S&L insurance fund.

The S&L industry financing comes from three sources: retained earnings of the Federal Home Loan Banks, funds from the disposal of assets received by the insurance fund from insolvent S&Ls, and deposit insurance premiums charged to individual S&Ls.

Commercial bank resources required to bring the FDIC fund up to a fully funded level will also come from an increase in insurance premiums. The FDIC will reduce insurance premiums to both commercial banks and S&Ls, once it determines that their respective funds are fully financed and pegged to a more historical reserve-to-deposit ratio of 1.25 percent.

The FSLIC and FDIC will immediately begin a joint supervisory program with personnel also contributed by the Federal Reserve and Office of the Comptroller of the Currency. Over the next several weeks FDIC personnel will assume supervisory control of insolvent S&Ls to protect depositors. This program will stabilize these institutions by curbing losses and will give a head start for the tough job ahead.

This, then, is the Bush Administration's solution to the savings and loan crisis. If enacted by Congress in a timely manner, it will provide a sound, long-term solution to the S&L crisis. I call on Congress to work with us to turn this plan into law as soon as is possible. Working together, we can recreate and rejuvenate the vital thrift industry which served our country so well in the past.

Well, we had one big fight on the Committee on Banking, Finance and Urban Affairs to try to get a little glimmer of hard-core capital standards, and fortunately the President was on our side. But today it is different. Surely we do remember; it has not been that long ago; it has just been 2 years ago that we were wallowing in that.

Not only is the President planning to set up this bankers hot line to Washington, but he plans to require the examiners to come to Washington next month, apparently for lectures on how to be nice to bankers, be-nice-or-else lectures, to instill the proper timidity into this otherwise supposed watchdog.

Mr. Speaker, I want to place in the RECORD also Secretary Brady's release of the Treasury Department on Tuesday. It is published with all the public relations skill of the administration. But anyone who was here during the savings and loan crisis can read between the lines. It is forbearance with a capital F, and it is a great F that the American people should forgive those people for such shenanigans, elections or no elections.

On the other that I spoke of, because of the amendments that another very able member of the committee, a young member, the gentleman from Massachusetts [Mr. KENNEDY], and I placed on that bill 2 years ago known as the community or the Home Mortgage Disclosure Act; the HMDA is the acronym; the amendments that we pushed through in the 1989 law required banks to release data about applications for mortgages, for example. Because now, as the S&L's are gone, and we do not have that financial framework of reference for long-term mortgages, 30-year fixed mortgages; why those are things of the past, and the banks have moved in, and in fact the 1989 law makes it possible for banks to come in and take over failing S&L's that were supposed to be limited to home mortgage financing.

Now all we did was say, "All right, Mr. Banker. You now must release information about the application for these mortgages and the turndown rate exposed by that information," and that shows and will show so-called minorities, not just racial and ethnic minorities, but underprivileged; that is, economic minorities.

As my colleagues know, I have always had to fight, and sometimes at times in the past I have been accused of being a traitor because of my peculiar emergence from a peculiar group, an ethnic group, not so much a racial group as an ethnic group, because I have said that we cannot respond to just one segment. Yes, we ought to respond to the greatest area of need, wherever that may be. But that we can, and then in turn, set up a privilege after we have fought for equality, and this has been misinterpreted, and I have been attacked about it; I mean it.

I have been reminded, say, in the war against poverty, and I was here in 1964, and I had a big hand in that bill. Between then-Senator Humphrey and myself we had a title VII to the Economic Opportunity Act known as the war against poverty. We had a great hand in two other titles, and in my case, in my area, it worked. We turned around a tremendous dropout rate among a particular minority that I happen to come out from, and today in the city it is a majority. It is not a minority any longer.

Mr. Speaker, this has been hard to convey, even to those coming from that minority, as well as the outsiders who do not bother to walk around the city. One-half does not know how the other half is living. But those of us that are charged with this awesome task of trying to represent, and particularly the conglomerate I have to represent, which is a great mixed bag of ethnic, racial, social stratas of our society—it is all in microscopic content in the great district I have the privilege of representing.

We can always try. We are like in mathematics. We used to study in what is called analytic geometry a curve known as the—anyway this was a curve that, when you graphed it, and you had the equation, that we would develop it was always approaching, but never reaching, the axis. It is known as the asymptote, asympototically approaching things. In other words, it is like approaching perfection. One is always striving for it, never gets there, but one can always make the effort, and it is the same thing with trying to be a Representative.

Mr. Speaker, I ask my colleagues, "How can you go out and really adequately, fairly, equally, without fear of favor, represent the people that have elected you to represent them?" I say, "Well, all you can do is do the best you can, and, as Lincoln said, 'You know that's all you can do.'"

But in this case here, how can we convey to the American people that the whole economic well-being, the much vaunted, which is a thing in issue and has been in issue for 30 years, the American standard of living; that the policies and practices of borrowing and spending have led to the loss of over 3½ million jobs in production in our country, never to come back. All of that has to show up somewhere in the balance sheets of the banks and everywhere else, but how can we allow a system to be operative?

Mr. Speaker, banks used to be chartered. I can remember the days when banks were chartered through a chartering process, and the statute said, "for public need and convenience." Then came the 1950 Merger Acts and all, and banks to be acquired through the hypothecation of bank stock or through mergers, and one did not go through chartering, and today banks are out to make money with no stated public need or convenience anymore.

This is what is happening and has happened almost imperceptibly, and, when I speak this way, I am looked upon as if I am uttering some strange doctrine or some, maybe, dangerous foreign premise of some kind. But how could we tolerate in our country, where from the beginning we have said, before the law and before society, equal justice for all, and privilege for none? It is a joke today.

□ 1050

If these financial institutions that control the erosion of credit shut out great sectors of our population, can we, the duly elected representatives of the people, look the other way? Should we not mention it, not debate it, not talk about it? I do not think so.

This week the Federal Reserve flew its Chief of Consumer Affairs, Mr. Garwood, to the American Bankers Association convention in San Francisco to warn the bankers that the news was bad, very bad. Why was it bad? Because they were going to have to publicly disclose their lending patterns and practices. So the public relations machines were cranking up to explain away the disgraceful performance. The excuses will be many.

Even this new Home Mortgage Disclosure Act will not tell the full story of discrimination, and the reason for that is by the very fact that although the target was the greatest areas, we are still not targeting, as I think we should, every sector of our community.

How many neighborhoods, though they may not have a basic, substantial presence of what would be defined otherwise as ethnic or racial, but very poor economically, how many of them have access to bank credit? On my own, I have looked into some such areas, and I will tell the Members that it is just nonexistent.

So even with these amendments which we put in there compelling for the first time public notice, there is more to be done. And I want to give credit to this young man, Mr. JOSEPH KENNEDY, our Congressman from Massachusetts, who has worked with us since his arrival on this committee not too many years ago, for his great zeal and moral indignation at some of the injustices that he had obviously uncovered himself. This does not include persons who never got inside the bank, who were never allowed to file an application.

During the Memorial Day break, in the name of the committee, I went to Rhode Island. Incidentally, I had always prayed to the Lord, since I am a Depression-era kid, that I would never see again what I remember so vividly. I cannot begin to tell you the distress and all the demoralization I felt when I went to Rhode Island and I saw what was happening. At that hearing we had about a thousand people that turned out, that came to that little hearing. The banks or the S&L's had been closed in Rhode Island, and we had been trying to get a guaranteed line of credit so that the State of Rhode Island could borrow and issue bonds to pay out. We heard from countless little citizens who spoke pathetically, and I cried inside because I remembered the Depression and I remembered mighty good folks, grandma and grandpa who all of a sudden were faced with disaster. Of course, today we have Social Security and all that, but we did not have it then. But these people could not even get their personal funds out so they could pay their bills. And then the so-called relief laws were so strict that they just were not approaching what they needed.

So here we are guaranteeing loans, forgiving $7 billion to Egypt and what not, and we have this difficulty. Now, to its credit, the Banking Committee passed out in the form of an amendment the so-called Rhode Island guarantee that I offered. That passed unanimously.

Over in the Senate, the two Senators from Rhode Island have tried to do something also. So that is where we are now. I am just giving the Members an idea of how hard it is to do anything when you want to work for the people, as a contradiction from when you are acting as a conveyor belt for a special interest. I am just pointing out how difficult it is to do anything. I have seen things go through here that are going to benefit multibillion-dollar interests in 20 minutes, and then to try to get a little old guarantee for a student loan, it has taken debate and amendments and controversy, and sometimes we have not gotten them in the last few years.

Then we moved over a few miles and went into Boston the next day in the name of the Subcommittee on Housing, and we had hearings on these home mortgage situations. Again I felt like crying. We heard from witnesses. We had one who showed up spontaneously, a Vietnam veteran, an injured veteran. He was injured in the war. He survived the war only to lose his home to the sharks there in his own back yard.

Now, I ask my colleagues, how long can we look ourselves in the eye and not address this subject first and foremost in our own country. Here we are now with the act that we had to fight ferociously for to get this amendment, and it survived. Through the grace of the Lord Almighty and the good conscience of the majority on the conference and some of the good Senators who were in the conference, it went through, so it is part of the law. That was in 1989. It has just come around in 1991 in October to bring us some halfway realization.

So I think, Mr. Speaker, that the great struggle we had in 1989 to push the new HMDA legislation through Congress should be remembered, because it was defeated in the beginning. Then through, as I said, a compromise and what not, we were able to get this through. We still do not have the law that would discourage these high flying mortgage and high finance company operations from approaching their prey. In fact, yesterday—and I remind my colleagues that I placed this in the RECORD—I introduced a bill to try to control this egregious heating of these home mortgage families on the so-called escrow account. About $1.7 billion, that is what these home mortgage owners are losing in what is really a hold up.

So we are going to try to see how far we can get on this. We have had hearings on this subject matter. I thought it was time that we come forth and produce legislation, and I introduced that yesterday.

It is true that when we get into this area of discrimination, some of it, of course, may be completely unintentional, but when we first enacted the original HMDA and it came out of the Subcommittee on Housing, of which I was chairman at the time—I was not chairman of the committee at the time, but I led the fight for it—we were opposed by the bankers, by the mortgage bankers, and by others. However, once we enacted these very weak initial laws, some of the banks in fact in Boston went in and found that they could invest in these areas and actually make money. I want to remind my colleagues that all the S&L's had lost money through speculation and what not, but the banks have not lost their money by lending to the moderate income or the poor at all. That is not where they have lost their money. This is where, like Lincoln said, the great majority of us are, and as Lincoln also said, God must love the poor because he made so many of us.

So we are hopeful that somehow or other the Federal Reserve will do more than seek representatives to hold the hand of these prime bankers and to assure them that maybe there are ways to minimize the law.

□ 1100

It is disgraceful that it took a new act of Congress to look at that. The regulatory agencies have examiners inside these banks on a regular basis. Why is it that they did not detect the discrimination or, if they did detect it, why did they ignore it?

Of course, we had studies and Mr. Kennedy himself, about 2 years ago, maybe a little more, had an analysis based on the Atlanta Constitution articles that appeared in that Atlanta publication in which this reporter had extensive reporting and data and through the freedom of information had gotten and collected data from the old Home Loan Bank Board.

The national policy of this Nation mandates that Federal agencies and federally supported entities operate in a nondiscriminatory manner and enforce laws against discrimination, be that who it might, not just a selected or preselected group but any American.

How can we justify federally insured institutions, operated under public charters and even some of those bailed out by public funds, being allowed to discriminate at the loan window?

The news media, along with the regulators, have been silent about bank deficiencies in community reinvestment and the failure to follow affirmative fair-lending practices.

At long last I hope the new HMDA data will cause the news media to take a harder look, in many cases a first look, at some of these practices. It has been a lonely battle for some Members of Congress and community groups to focus the spotlight on this national disgrace.

I hope the President, in summary, will rethink his plan to provide a new round of forbearance for financial institutions, as I said in the beginning.

I hope that the plan announced this week was just a misguided brainstorm of some campaign strategies and not the considered judgment of the President.

I just cannot help believe that the President would not have such short and faltering memory in view of the remarks that I placed in the RECORD here today that he uttered just about 2 years ago.

I also hope, Mr. Speaker, that the President and the regulators he had appointed will look at the HMDA data on discrimination and enforce without any delay immediate corrective action. This national source of discriminatory lending shall not be allowed to run another day. I do hope, pray that financial regulation, certainly of insured institutions, can be a bipartisan effort and not an election-year game. I truly hope that people of good will in both parties will join hands to tell the banks, thou shall not discriminate because of a person's race, sex or national origin or economic condition.

From there, Mr. Speaker, I must also speak forth on what I have mentioned here before, but I seem to have penetrated no particular level of consciousness on any level, here, on the subcommittee, full committee, in the House, anywhere. It is something I have been speaking of since 1979, when at the Bonn Economic Summit meeting, and I will remind my colleagues, President Carter, a Democrat, was the President. So anybody who wants to read any partisanship into my remarks is going to have a hard time, if he bothers to check the record.

The trouble is that the people that want to be free with their assessments and criticisms do not want to read the record, but truthfully and on the RECORD at that Bonn Summit meeting in 1979, in May, the communique that was issued had one sentence at the end. It was a short communique. It said, "We endorse the principle of EMS," European Monetary System, and EMU, the European Currency Unit.

When I saw that, I realized what I had been reading in the European press, because I do that, was certainly very much on point. But for some reason or other, in America it seemed that all our news-disseminating agencies and even the financial publications were ignoring it or oblivious to it. And that was where we did not have vision and where we have lost our historical memory. What happened a year ago now is ancient history, much less what happened in the 1940's, the 1950's, which has everything to do with that is happening today.

So that I realize that the Europeans had, in fact, they drew a blueprint as early as 1948–49 in Rome. And they adhered to it. And so today they have gone a long way.

The European Currency Unit, the ECU, is worth about $1.28. It is stable. I fear, and I have uttered this fear for a couple of years, but in 1979 I took to the House floor and reported that there was great significance to that last sentence in that communique for America. As far as I know, nobody spoke out on that either on this side or on the Senate. And even to this day, where the imminence of very serious consequences of our floundering, the dollar has lost somewhere around 50 percent of its value, certainly 55 percent since 1985 alone.

I tell my colleagues that we cannot look at this from where it is Republican or Democratic or a conservative or a liberal, like in mathematics, in finances, one is either right or one is either wrong.

There is no in between or maybe so. And when we allow the debt structure to pile up as we have, both governmental, corporate and private, we have to realize that if that is accompanied with a fluctuation and a speculative situation with respect to the value of the dollar, our currency, we have serious problems.

Now, who would think that I, who have been labeled a liberal, in fact, I have been called everything you can think of, but mostly a liberal, of which I take great pride. I mean, to me the word liberal is what America has always stood for.

Throughout the world, when the word is not abused, that is the way America is labeled, one liberal Nation, meaning libertywise. This is where the world originated. So that who would have, one, devalued the dollar, taken the United States off of the gold exchange standard and gone into the so-called floating exchange standard in 1971? President Richard Nixon. I was a voice on the committee. Also my critics particularly and even friends do not realize that I was chairman of the Subcommittee on International Finance for 10 years. I just did not sit there to pride myself on being called the chairman. I think the record shows I worked pretty hard at it. Even though I did not even have one-tenth of the resources that the present subcommittee has.

So that I tried to seek out and point and resisted and said that the action taken on August 15, 1971, by President Nixon was a 10 percent devaluation of the American dollar. There was not one American, either press or electronic media, that reported it. But the European press did. That is what they called it.

So this came right on the heels of the Economic Stabilization Act, more popularly known as the wage and price controls. Who would think that this radical liberal was that lone voice resisting that overwhelming massive, the Secretary of the Treasury, John Connolly, the former Governor of my State of Texas, the head of the AFL-CIO at that time, the head of the Automobile Workers Union at that time, the chairman of the board and CEO of General Foods, General Motors. They sat there before us in that committee and said, "You've got to pass this bill. Don't change a comma."

I looked at the bill.

□ 1110

And I looked at the bill. I could not believe it. It granted the President powers that the Congress never gave President Franklin Roosevelt at the height of World War II. It gave President Nixon complete authority over the entire economy of our country. He could make or break any industry if he chose to do so.

Unfortunately, it was worse than that. It was ignorance, in action.

I was the lone voice that said but just a minute, Mr. Secretary. This is awesome. This reminds me of the Weimar Republic, and right after we came out of the Weimar era, you had what they called in Germany then the great chamber of German economics. And they came in and said you have got to do the same thing here, and gave all of these powers to this one man who had just deposed that great German general and become the chief executive, later the head of the National Socialist Party of Germany, Adolf Hitler.

Mr. Speaker, I include for the RECORD the documents referred to in my statement of today along with a statement entitled "History Forgotten—the President Announces a New Round of Lax Regulations To Make Bankers and Businessmen Happy."

The materials referred to follow:

HISTORY FORGOTTEN—THE PRESIDENT ANNOUNCES A NEW ROUND OF LAX REGULATIONS TO MAKE BANKERS AND BUSINESSMEN HAPPY

Mr. Speaker, two developments this week have focused new attention on the Nation's financial regulatory system.

First, President Bush and his Secretary of the Treasury announced a new plan to loosen regulations at the Nation's 12,200 commercial banks—a step so reminiscent of the 1980's when forbearance and regulatory laxness was the order of the day with disastrous results for the American taxpayers.

Second, the Federal Reserve started letting the Nation know what many of us in the Congress have long suspected—there is widespread discrimination in lending at insured financial institutions.

Mr. Speaker, the President of the United States has made a serious mistake in easing regulation under the guise of softening the credit crunch. The President's instructions that the regulatory go easy will not do anything for the so-called credit crunch, but it will create a brand new crunch—a bone-crushing of taxpayers who will pay a heavy price for a new round of regulatory laxness.

It is amazing, Mr. Speaker, that President Bush and Secretary of the Treasury Nicholas Brady can forget history so quickly after the savings and loan debacle—a debacle which will cost the taxpayers at least $500 billion before the cleanup is completed.

Less than 3 years ago, the President stood on the front steps of the White House, promising an end to regulatory laxness and assuring the American public that "Never Again" would we allow taxpayer-supported deposit insurance funds to be placed at risk. Well, it appears that "Never Again" has just arrived at 1600 Pennsylvania Avenue.

Under the Bush-Brady plan, forbearance becomes part of the Federal regulatory manual once again. The package is sprinkled with nice sounding phrases about "changes", "clarifications", "orderly restructuring", "prudent refinancing", "lowering burdens", and warnings against something called "regulatory retribution."

This is the same sort of double talk that infected the regulation of thrifts in the 1980's, and hid massive losses until there was nothing left but the taxpayers to pick up the debris.

Mr. Speaker, banks can make good loans with good regulation. It does not take forbearance and regulatory laxness. There is nothing incompatible with a strong regulatory system and an adequate flow of credit for the economy.

Mr. Speaker, we all know the election is just a little more than a year away. Businessmen and bankers—those wonderful people who fill the campaign coffers—want words of comfort. They, like working people, are unhappy about the administration's failed economic policies. So, it is important that the President and his advisors have a scapegoat handy—like bank examiners, supervisors and regulation.

With the carcasses of the savings and loan still scattering the landscape, the President should not use financial regulation as a campaign issue. The President should keep bank examiners and bank regulation out of next year's elections. Find some other scapegoat, Mr. President—some other scapegoat that isn't so dangerous and so costly.

Mr. Speaker, I am particularly concerned about the remarks of the President and the Secretary of the Treasury as they relate to examiners. These examiners are the lowest paid workers in the regulatory field and they are the Nation's first line of defense against fraud, abuse and mismanagement at insured institutions.

Yet, the President talks about examiners creating a "chilling" atmosphere for bankers. This is a terrible signal to send to examiners already hard pressed to convince bankers, boards of directors and the high-flyers of the industry that solid bank regulation is there to stay. The President's words and the Secretary's new program of forbearance undercuts this hard working corps of examiners.

The President—believe it or not—is actually insisting on a new appeals process that will allow disgruntled bankers to bypass the examiners and lobby directly with Washington. This is the very thing that we have fought so hard to prevent. Surely, someone remembers Lincoln Savings where Charlie Keating consistently laughed at the examiners, climbed aboard his private jet and came to Washington to make his complaints and seek regulatory relief. The result was a total collapse of the institution and a $2.5 billion bill for the taxpayers.

Not only is the President planning to set up this bankers hotline to Washington, but he plans to require the examiners to come to Washington next month, apparently for lectures on how to be nice to bankers. "Be Nice or Else" lectures to instill the proper timidity.

Mr. Speaker, I want to place in the RECORD a copy of Secretary Brady's release at the Treasury Department on Tuesday. It is published with all the public relations skill of the administration, but anyone who was here during the savings and loan crisis can read between the lines—it's Forbearance with a capital F. and it is a grade of "F" that the American public should give the administration for such shenanigans—elections or not.

DISCRIMINATION IN LENDING TO BE REVEALED

Mr. Speaker, another regulatory scandal—despite all the efforts to delay or hide the facts—will start emerging next week. It involves a long-standing practice among many in the banking industry to discriminate against citizens on the basis of race, gender and national origin.

The facts will be spread on the record as the Federal Reserve and the banks are required to release their reports under the Home Mortgage Disclosure Act. The amendments that we pushed through in the 1989 FIRREA legislation (Gonzalez-Kennedy) required banks to release data about applications for mortgages. And the turndown rate exposed by that data will show that minorities are two to four times as likely to be rejected for mortgages as whites.

This week, the Federal Reserve flew its chief of consumer affairs—Griffith Garwood—to San Francisco to the American Bankers Association to warn the bankers that the news was bad—very bad. So, the public relations machines are cranking up to explain away the disgraceful performance. The excuses will be many.

Mr. Speaker, even this new HMDA data will not tell the full story of discrimination. These are data on applications actually filed; applications that banks at least considered. It does not include persons who never got inside the bank, who were never allowed to receive an application and who were not allowed to file the application. It does not include those who were discouraged from approaching the banks and, instead, fell prey to high-interest, fly-by-night mortgage and finance company operations. So, the picture is much worse than the HMDA numbers suggest.

Some of this discrimination, I am sure, is unintentional, but the effect on minorities is the same—whether intentionally or unintentionally imposed. It is very clear that neither banks nor regulators have taken sufficient affirmative action to eliminate the discriminatory patterns.

Mr. Speaker, many, I am sure, remember the great struggle we had in 1989 to push the new HMDA legislation through Congress. In fact, it was defeated in committee. The banks, apparently well aware of what the data would show, lobbied hard against it. Our colleague, JOE KENNEDY, reoffered the amendment on the floor of the House and it passed by a close margin and we were able to hold it in conference.

Mr. Speaker, I am not sure why the Federal Reserve felt it necessary to send a representative to the ABA convention to warn the bankers and apparently to provide tips on how to minimize the data. But, it would have clearly been more appropriate for the Federal Reserve to have sent a stiff warning that corrections would have to be made now and that lending discrimination would stop.

In fact, Mr. Speaker, it is disgraceful that it took a new Act of Congress to collect the data. The regulatory agencies have examiners inside these banks on a regular basis. Why is it that they did not detect the discrimination? Or did they detect it and ignore it?

The national policy of this Nation mandates that Federal agencies and Federally supported entities operate in a nondiscriminatory manner and enforce laws against discrimination. How can we justify Federally-insured institutions, operating under public charters, being allowed to discriminate at the loan window?

Mr. Speaker, the news media, along with the regulators, have been silent about bank deficiencies in Community Reinvestment and the failure to follow affirmative fair lending practices. At long last, I hope the new HMDA data—data incidently provided by the banks themselves—will cause the news media to take a harder look or, in many cases, a first look at these practices. It's been a lonely battle for some Members of Congress and community groups to focus the spotlight on this national disgrace.

Again, Mr. Speaker, I hope the President will rethink his plan to provide a new round of forbearance for financial institutions. I hope that the plan announced this week was just the misguided brainstorm of some campaign strategist and not the considered judgment of the President.

And I hope, Mr. Speaker, that the President and the regulators he has appointed will look at the HMDA data on discrimination and force—without any delay—immediate corrective action. This national sore of discriminatory lending should not be allowed to run another day.

Mr. Speaker, frankly, I hope that financial regulation—certainly of insured institutions—can be a bipartisan effort and not an election-year game. And I truly hope that people of good will in both parties will join hands to tell the banks "thou shall not discriminate" because of a person's race, sex or national origin.

[Press release from the Department of the Treasury, Oct. 8, 1991]

EASING THE CREDIT CRUNCH TO PROMOTE ECONOMIC GROWTH

Secretary of the Treasury Nicholas Brady today announced new steps in the Administration's ongoing efforts to address "credit crunch" problems identified by the business community, bankers, and regulators. The steps build on the President's economic agenda and are aimed at sustaining the economic recovery.

"Maintaining the economic recovery depends on banks playing their traditional role, businesses making investments, and consumers purchasing goods and services," Brady said. Recent statistics show employment levels, housing starts, and industrial production rising. The Administration wants to insure that proper balance in the regulation of the banking sector continues the upward trend and that Congress passes other Administration economic growth proposals.

The Administration's new steps were developed in consultation with the Federal Reserve Board, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, and the Office of Thrift Supervision. They are designed to promote confidence and balance in the lending environment, and to help businesses and consumers in their economic activity.

The Administration's program builds in previous efforts by the Treasury Department and financial regulators to assure that sound businesses and consumers can get needed credit. These efforts include encouraging lenders to make prudent loans and assuring that examiners perform their reviews in a balanced, sensible manner. The federal banking and thrift regulators have stated that they do not want the availability of credit to sound borrowers to be adversely affected by supervisory policies or depository institutions' misunderstandings about them.

In particular, the Administration, while avoiding any encouragement of regulatory laxity, wants to ensure that the specific guidance issued by the regulators over the past several months is being fully implemented by examiners in the field, and that additional opportunities for assuring balanced regulation are pursued. Among the areas addressed are:

Directive that bankers should work constructively with borrowers experiencing temporary difficulties and facilitate the orderly restructuring of credits;

Prudent refinancing of economically sound commercial real estate loans;

Improved verification by regulatory supervisors that recent policy changes and clarifications are appropriately applied in each examination;

Enhancements in the process for appeals of alleged misapplication of regulatory standards;

Harmonization of the treatment of preferred stock in U.S. capital standards with other signatory countries under the Basle capital accord;

Appropriate application of valuation standards especially in real estate credits so as to avoid a liquidation approach to valuation;

Improved guidance in the appraisal process and steps to reduce excessive appraisal costs for lenders;

Legislative action to make permanent recent EPA regulations to limit lender liability for environmental cleanup of loan collateral properties;

This program is in addition to the President's comprehensive economic growth package, which has been stalled in the Congress. These proposals designed for increasing job-creating investment include: reducing the capital gains tax, permanently extending the research and experimentation tax credit, establishing enterprise zones, and promoting saving through Family Savings Accounts and expanded Individual Retirement Accounts. "These proposals should be voted upon without delay," Brady said.

"Congress can also help by passing the Administration's comprehensive banking reform legislation and approving its nominees for top financial regulatory positions which are before the Senate. Holding up these measures and appointments creates further uncertainty about fiscal, monetary, and regulatory policies," Brady said.

Details of the Administration program are found on the attached fact sheet.

FACTSHEET: EASING THE CREDIT CRUNCH TO HELP PROMOTE ECONOMIC GROWTH

I. NEW REGULATORY ACTIONS TO BE IMPLEMENTED

A. Efforts to improve lending environment

Conform U.S. Implementation of Basle Capital Standards

Conform U.S. treatment of Preferred Stock in Tier One capital with other countries under the Basle accord. No amendment to the Basle capital standards is needed.

Removing this ceiling will give bank holding companies an additional method of raising Tier One capital, as there are investors who prefer preferred stock to common shares.

This could result in an increase in Tier One capital and thus expand lending capacity.

The target date for completing this conforming change is October 31, 1991.

B. Build banker confidence

1. Enhanced Examination Appeals Process

Each agency has an existing appeals process for bankers who believe that examiners have made an error in their evaluation of loans. Although the guidelines issued March 1st encouraged bankers to take advantage of this mechanism, few bankers have done so.

Thus, it is recommended that the appeals process be strengthened by allowing a banker to appeal directly to senior officials or a Reserve Bank President separate from the supervisory process. Investigations would be conducted in a confidential manner.

Each regulatory agency will implement this system by November 15, 1991.

2. Improve Examination Management

In order to further assure that consistent and balanced examination standards are applied, agencies will take the following steps:

a. Regional supervisory management will be required to:

(i) make sure that the March 1st policy changes and clarifications, and all clarifications, and all subsequent guidelines, have been effectively communicated to each examiner;

(ii) make sure that these policy changes and guidelines have been explained to the banker by the examiner in each examination; and

(iii) certify that these policy changes and clarifications, and all subsequent guidance, have been followed by examiners in each exam.

These policy changes and clarifications include the instruction that:

Bankers should work in an appropriate and constructive fashion with borrowers who may be experiencing temporary difficulties;

Income producing property loans are to be assessed on the income-producing capacity of the properties over time. Examiners should take into account the lack of liquidity and cyclical nature of real estate markets. Liquidation appraisal values are to be used only if the property is to be liquidated;

Banks with real estate concentrations should not automatically refuse new credit to sound real estate developers or to work with existing borrowers;

Regulatory agencies do not have rigid rules (or percentages) on asset concentrations, as bankers and regulators know well the benefits of adequate portfolio diversification;

Institutions attempting to raise capital by shrinking assets should avoid actions such as the sale of all high-quality assets. Such actions by themselves, or the refusal to make sound, new loans, fail to achieve an important goal of improving the quality of the institution's loan portfolio;

Bankers and examiners should not lump all real estate together: distinctions should be made. For example, credit for a residential builder, should not be automatically penalized by local oversupply conditions in commercial office development;

Bankers should facilitate the orderly restructuring of troubled credits by using established techniques under FASB 15, "Troubled Debt Restructurings"; and

Banks should be able to prudently refinance commercial real estate loans without fear of regulatory retribution ("mini-perm" guidance).

b. The agencies will develop a method for regular communication with bankers by central office and/or regional senior personnel to determine banker views on the fairness and balance of examination standards and practices. Examples of this communication would include polling and regular meetings with bankers.

The agencies will implement these changes by November 15, 1991.

C. Improve real estate guidance

1. Real Estate Valuation Policies

The bank and thrift regulatory agencies have been developing a uniform and comprehensive set of real estate examination guidelines, especially for real estate in troubled markets. These detailed guidelines cover loan classification procedures, indicators of troubled loans, proper analysis of appraisals and loan values, and proper reserve analysis.

These guidelines will be released by October 31, 1991 and will be distributed to all examiners—and bankers.

2. Use of Appraisals

As a part of Subsection 1 above, a letter will be sent by the primary regulator to every bank chief executive outlining the guidelines for using appraisals emphasizing balance and appropriate time lines.

3. Random Audit Program

The regulatory agencies would establish quality control through a random audit program to determine how examiners are using appraisals in the loan documentation process.

This can be implemented by October 31, 1991.

4. Appraisal Costs

The Administration supports the actions taken recently by the regulatory agencies to limit the costs of appraisals on residential real estate loans by raising the minimum loan size subject to appraisal requirements to $100,000 from $50,000.

The Administration calls on the regulatory agencies to consider additional steps that can be taken administratively to lower the burden of appraisal costs, especially for home buyers and small business.

The agencies will report their recommendations to the Secretary of the Treasury by January 1, 1992.

D. Further clarify the definition of highly leveraged transaction (HLT)

Leveraged borrowers in businesses such as cable television or broadcast media have cited the HLT definition as unreasonably restraining credit to their industries.

The agencies published their definition for public comment in the Federal Register. The comment period concluded on September 23, 1991, resulting in over 200 comment letters.

The regulatory agencies will review the comments and propose improvements to the definition by December 1, 1991.

E. Convene national meeting of examiners

The Treasury Secretary has requested that by mid-November, 1991, the regulatory agencies convene a meeting of all key supervisory management and senior field examination professionals.

Examiners would participate in a series of meetings about the economy and a thorough briefing on the policy changes and guidelines and their application.

II. PROPOSALS THAT WOULD HELP CURE THE CREDIT CRUNCH WHICH REQUIRE ACTION BY CONGRESS

The Administration supports a number of legislative proposals that would promote savings and economic growth, make the financial sector more efficient and create a better climate for lending. These include:

A. Banking reform

The President's Banking Reform bill will spur confidence for investment by assuring that the United States has a modern banking system with stronger, safer banks.

Stronger, more competitive banks would have greater flexibility in working with borrowers to avoid future credit crunches.

B. Lender liability reform

Banks have been reluctant to make certain loans because of recent court cases that have found lenders liable for environmental clean-up costs, even when the bank's only interest in a property is a security interest to secure a loan.

To address this uncertainty concern, the EPA issued a proposed regulation interpreting the Superfund Act which would properly limit lenders' liability for any Superfund clean-up costs as long their participation is merely that of a lender, and not a long term operator.

To make this certainty permanent, the Administration is supportive of efforts to further clarify these rule changes in statute.

C. The President's growth initiatives

To increase demand and boost asset values, including real estate, the Administration continues to urge Congress to pass the President's growth package. The program would: reduce the capital gains tax rate; enhance personal savings through an expanded Individual Retirement Account (IRA) and Family Savings Account; make the Research and Experimentation (R&E) tax credit permanent; increase federal investment in science, technology and infrastructure; reform the education system; and keep the discipline of the budget agreement.

D. Nominees for regulatory positions

Three out of four bank and thrift regulatory agencies are without a Senate-confirmed head. Presidential nominees for regulatory positions awaiting Senate confirmation, include two members and the Chairman of the Federal Reserve Board, as well as the Comptroller of the Currency and the Chairman of the FDIC.

The Administration urges Congress to eliminate uncertainty about the direction of monetary policy and regulatory leadership by acting quickly to confirm the President's nominees. Congress' preoccupation with second guessing regulators has continued to exacerbate the credit crunch.

E. Bankruptcy reform

Some in Congress and the American Bankers Association point out that recent court decisions, a developing social acceptability of bankruptcy, and aggressive tactics by borrowers have weakened bankruptcy practices and thus, reduced the willingness of bankers to lend.

The Justice Department has recently undertaken a comprehensive review of the bankruptcy law and practice. The President has asked the Acting Attorney General to complete this review, analyze pending legislative initiatives, and, together with the Secretary of the Treasury, evaluate their impact on credit extensions by financial institutions.

This report will be made to the Economic Policy Council in January 1992.

The Economic Policy Council and the regulatory agencies will continue to review the credit crunch and related issues.

[From the Economist, Oct. 5, 1991]

THE GREAT DEBT HANGOVER

NEW YORK.—America's overborrowed companies are sobering up in a hurry. The morning after may prove less horrible than many had feared.

If America is headed for a hangover after its debt binge of the 1980s, the throbbing should be starting now. A huge bulge of debt, much of it from acquisitions, leveraged buyouts and the commercial-property boom, falls due over the next couple of years. With the economy weak and financial markets still hurt by a credit crunch and the collapse of the junk-bond market, this is not a good time for the cold-shower business of repaying, rolling over or replacing corporate debt. Yet things may be less awful than they look.

There will certainly be more failures. Corporate and personal bankruptcies are running at record levels. Defaults on debts are higher than at any time since 1970. They reached $12½ billion in the first half of 1991, 25% above the same period in 1990 and almost four times their level a year earlier.

The credit standing of American non-financial companies continues its long-term decline. Their median rating is now BB which is a junk grade, against the investment-grade A of a decade ago. Downgrades by debt-rating agencies outnumber upgrades by five to one.

But the pace of downgrading by Moody's, Standard & Poor's and others is slowing. And the absolute number of bankruptcies is not huge compared with the size of the economy. Some 50,000 companies failed in the first seven months of this year. The default rate on bonds, around 2.7% of issues outstanding, is below the 3.2% of 1970—and far less than the 5.7% default rate in the Great Depression year of 1933.

Is the worst past? Doomsters say that only in the next couple of years will the debtors of the 1980s be truly tested. In 1991-93 almost $150 billion of publicly-issued corporate debt matures, according to Moody's. That is almost twice as much as in the past three years, and half of it is owned by non-financial companies. For many highly-leveraged firms, the initial grace periods on the cash payment of interest and capital are expiring.

Nearly $40 billion of the debt due for repayment before 1994 is junk. Recent experience suggests that 10-15% of maturing junk bonds will default each year over that period. In the 12 months to July 1991, issuers failed to make payments on 11.7% of junk bonds that came due. That is up from 8.8% in 1990 and 5.6% in 1989.

Lower interest rates should help debtors meet their obligations. An upturn in the economy would help even more. But while manufacturing firms may be on the road to recovery, service firms, which are going through both a cyclical and a structural recession, have yet to see their part of the economy bottom out. A quarter of the bond defaults in the first half of the year were accounted for by 17 retailing and media companies; eight financial institutions contributed a further quarter.

This year may prove the third consecutive one in which the pre-tax profits of non-financial firms decline. Companies have not managed to counter the sluggishness of consumer spending by cutting costs or lowering interest charges. Average net interest expenses as a proportion of net cash flow have been trimmed only a tad, to 25%. So companies are having to restructure their balance sheets.

They are not doing so with the help of more debt, however. The increase in non-financial corporate debt in the 12 months to end-June was less than 2%, the smallest since 1973. Bank borrowing too has collapsed to levels that have not been seen since the aftermath of the 1973 oil shock.

Some debt has been replaced by equity. Net new issues grew by $11 billion in the second quarter of this year, the first time that a single quarter has seen net growth since 1983. But companies may find it increasingly hard to ease their burdens by swapping debt for equity: the American stock-market is beginning to look overvalued and share prices may be set to fall. Even if the equity window does not close, issuing stock with gay abandon risks diluting an issuer's earnings.

What matters more than the overall figures, however, is which individual companies may prove unable to pay their debts. Stephen Roach, an economist with Morgan Stanley, reckons that America has been lucky: the companies that borrowed the most were in non-cyclical industries, and so are in a better position to repay debt even in a recession. Debt-service ratios in vulnerable cyclical industries, like durable-goods manufacturing and construction, are no higher than at the end of the 1970s.

A possible sting in the tail, however, is that the debt-service ratios of cyclical companies are growing at a faster rate than those of non-cyclical firms. Oppenheimer, a firm of New York stockbrokers, has produced a list of the 40 most highly-leveraged big companies. It says of 20 of them that their "operating growth prospects make it unlikely that they will be able to outgrow their debt problems without the help of an equity infusion." These include companies with cyclical earnings like Marriott, Bally and PanAm.

Some of those companies may become casualties of the debt party. Yet, overall, non-financial corporate America looks likely to escape less scathed from its debt binge than it feared. No such luck for financial America. Banks are naggingly aware that some of their big corporate borrowers could bring them down. And they must also cope with a collapse in the value of their assets, especially property.

Commercial property-mortgages are equivalent to only three-quarters of all corporate bonds outstanding, but $300m-worth fall due over the next couple of years. The slump in the property market means that more borrowers are likely to default on them than on corporate bonds. Two-thirds of commercial mortgages are already behind the repayment terms originally agreed. Since property loans account for 17% of total bank assets, that means that almost 12% of the banks' assets are at risk. On October 2nd C&S/Sovran announced that it was making a $300m provision for write-offs of dud property loans. It is the bankers—and their regulators—who will have the sorest heads on the morning after.

SECURITIES REGULATION—TIGHTER BELTS

WASHINGTON, DC—Regulation of competition? The argument ran throughout the conference of the International Organisation of Securities Commissions (IOSCO) in Washington, DC, on September 23rd–26th. The American treasury secretary, Nicholas Brady, played to the gallery by demanding regulation to ensure that "greedy hotshots don't get all four feet in the trough." But Alan Greenspan, the chairman of the Federal Reserve, promptly warned of the dangers to markets of excessive regulation.

Regulators have been left behind by the explosive growth of international securities trading in the past decade. Exchange controls have gone, stock exchanges have been opened to foreign firms and investors have built a portfolio of foreign holdings. The cross-border equity offering has arrived. All this has made the hodgepodge of national rules about capital and conduct of business look increasingly messy.

One solution that IOSCO's members eagerly espoused was more co-operation. Memoranda of understanding between national regulators sprouted like mushrooms. One signed by the British and Americans covered such topics as fuller exchanges of suspicious information and cross-border subpoenas of reluctant witnesses.

But the real meat of the conference was the effort to agree on minimum capital standards for securities firms. The paradigm is the 1988 Basle accord between rich-country banking supervisors, under which all their banks must have capital equal to 8% of assets to protect against credit risk.

For years the Basle group, the European Community and IOSCO have fitfully discussed whether there should be similar common rules for the amount of capital that securities firms (and banks that trade securities) should hold against risks from market movements. In Washington, IOSCO agreed that, for highly liquid equities, firms should hold capital equal to 8% of their net exposure (i.e., after netting off long against short positions) plus 4% of their gross exposure They will now discuss with bank supervisors how to implement these rules.

Nobody asked the basic question: whether capital standards are needed at all. Securities firms are not banks whose failure can involve support from central banks or taxpayers. They are, it is sometimes argued, more like manufacturers, whose failure can damage creditors and customers but not enough to justify nannying supervision. Imposing capital standards on securities firms puts costs on both issuers and investors; raising them would reduce the price differential that has led those in search of capital increasingly to prefer securities to bank loans. High mandatory capital ratios might keep some securities firms out of the market.

Despite this, there are several arguments for capital and liquidity ratios, and for standardising them. They probably deter outright crooks, and certainly spread the cost of prudent behaviour more widely. Without ratios, if a reckless firm goes bust, responsible ones (or taxpayers) pay a heavy price.

Another argument is that securities firms trade heavily with one another. The failure of one can easily bring down others. In the absence of enforced ratios, firms may be too choosy about those they trade with. So will countries about which firms they allow to deal. That could limit business to the few firms that are internationally known.

Another argument is that many countries already have such rules, and they vary enormously. To support holdings of 20-year government bonds, the capital required in Britain, Japan and America is 3½%, 5% and 6% respectively. For very liquid shares in Britain, France and America, it is 10½%, 12½% and 15%. Most also apply a liquid-assets test to ensure that firms can pay their debts if they are wound up.

The planned IOSCO rules sit uncomfortably with these existing arrangements. For one thing, they replace most countries' single standard with more complicated building blocks: separate figures for net and gross positions, to which may one day be added a figure for settlement risks. Nor do they test for liquidity. Most significant, the 8%-plus-4% rules, derived from a study of past stockmarket volatility, would require firms in Japan, France and Britain to raise more capital. Their regulators challenge the study: they think the new ratios are too high.

They have reluctantly agreed to them, nonetheless. This is partly to satisfy the Americans, whose capital requirements are already higher than the IOSCO proposals. Yet Richard Breeden, the chairman of the Securities and Exchange Commission, does not intend to reduce them. He is proud that Drexel Burnham, a securities firm that collapsed in 1990, met its obligations, and he reckons that tough ratios had a lot to do with it.

Securities regulators are also going along in order to smoothe differences between banks and securities houses. Banks moan that current capital rules bear more heavily on them. Yet can the playing field be genuinely level? Not really, says Sir David Walker, chairman of Britain's Securities and Investment Board, unless broader changes are made. Could securities firms be given access, like banks, to central-bank support and guaranteed deposit insurance in exchange for higher ratios?

Another point must also dampen the ardour of those who see nirvana in common capital standards. The demands for more regulatory co-operation and more capital have been heightened by a recent spate of financial scandals around the world. Yet none of these can be blamed on inadequate capital and only one, BCCI, involved a serious failure of international co-ordination. They were breaches, often fraudulent, of local rules on the conduct of business. And nobody is trying to harmonize those.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

(The following Members (at the request of Mr. GONZALEZ) to revise and extend their remarks and include extraneous material:)

Mr. ANNUNZIO, for 5 minutes, today.

Mr. DORGAN of North Dakota, for 60 minutes, today.

Mr. SWIFT, for 5 minutes, today.

EXTENSION OF REMARKS

By unanimous consent, permission to revise and extend remarks was granted to:

(The following Member (at the request of Mr. GONZALEZ) and to include extraneous matter:)

Mr. BONIOR.

ADJOURNMENT

Mr. GONZALEZ. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 11 o'clock and 12 minutes a.m.), under its previous order, the House adjourned until Tuesday, October 15, 1991, at 12 noon.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. MILLER of California: Committee on Merchant Marine and Fisheries. Supplemental report on H.R. 932 (Rept. 102–229, Pt. 2). Ordered to be printed.

Mr. DERRICK: Committee on Rules. House Resolution 246. Resolution providing for the consideration of H.R. 3371, a bill to control and prevent crime (Rept. 102–250). Referred to the House Calendar.

PUBLIC BILLS AND RESOLUTIONS

Under clause 5 of rule X and clause 4 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. FORD of Michigan (for himself, Mr. GAYDOS, Mr. CLAY, Mr. MILLER of California, Mr. MURPHY, Mr. KILDEE, Mr. WILLIAMS, Mr. MARTINEZ, Mr. OWENS of New York, Mr. HAYES of Illinois, Mr. PERKINS, Mr. SAWYER, Mr. PAYNE of New Jersey, Mrs. LOWEY of

New York, Mrs. UNSOELD, Mr. WASHINGTON, Mr. SERRANO, Mrs. MINK, Mr. ANDREWS of New Jersey, Mr. JEFFERSON, Mr. REED, Mr. ROEMER, Mr. OLVER, Mr. PASTOR, Mr. DE LUGO, Mr. FUSTER, and Mr. FOGLIETTA):

H.R. 3553. A bill to amend and extend the Higher Education Act of 1965; to the Committee on Education and Labor.

By Mr. SWIFT:

H.R. 3554. A bill to amend the Toxic Substances Control Act to reduce the levels of lead in the environment, and for other purposes; to the Committee on Energy and Commerce.

By Mr. BENNETT:

H.R. 3555. A bill to repeal and prohibit all exemptions, privileges, and gratuities for Members of the U.S. House of Representatives and of the U.S. Senate; jointly, to the Committees on House Administration, Education and Labor, and Government Operations.

By Mr. DE LA GARZA (for himself and Mr. GLICKMAN):

H.R. 3556. A bill entitled: "Food For Emerging Democracies Act of 1991"; jointly, to the Committees on Agriculture and Foreign Affairs.

ADDITIONAL SPONSORS

Under clause 4 of rule XXII, sponsors were added to public bills and resolutions as follows:

H.R. 1184: Mr. DREIER of California.

H.R. 1551: Mr. BARTON of Texas.

H.R. 1557: Ms. PELOSI, Mr. MCMILLAN of North Carolina, Mr. STENHOLM, Mr. INHOFE, Mr. SHAYS, Mr. GEREN of Texas, Mr. FISH, Mr. WILSON, Mr. SPENCE, and Mr. ABERCROMBIE.

H.R. 2242: Ms. HORN.

H.R. 2571: Mr. DWYER of New Jersey, Mr. REED, Mr. JONTZ, Mr. TRAFICANT, Mr. DICKS, Mr. ESPY, Mrs. LLOYD, and Mr. STOKES.

H.R. 2580: Mr. LEVINE of California and Mr. BUSTAMANTE.

H.R. 2755: Mr. HENRY, Ms. NORTON, Mr. ATKINS, and Mr. MAVROULES.

H.R. 3070: Mr. FUSTER, Mr. LAUGHLIN, Mr. HENRY, Mr. LIVINGSTON, Mr. ORTIZ, Mr. DARDEN, Mr. LEVIN of Michigan, Mr. CARDIN, Mr. KLUG, Mr. GALLO, Mr. HAYES of Louisiana, Mr. IRELAND, Mr. WALSH, Mr. FLAKE, and Mr. UPTON.

H.R. 3171: Mr. SCHEUER, Mr. SMITH of Florida, Mr. FRANK of Massachusetts, Mr. RANGEL, Mr. SANDERS, Mr. JEFFERSON, Mr. TOWNS, Mr. PAYNE of Virginia, and Mr. KOSTMAYER.

H.R. 3209: Mr. MCMILLEN of Maryland, Mr. TOWNS, and Ms. KAPTUR.

H.R. 3221: Mr. ESPY, Mr. MACHTLEY, Mrs. VUCANOVICH, Mr. SAXTON, Mr. PERKINS, Mr. DOOLITTLE, Mr. STEARNS, Mr. GILCHREST, Mr. SMITH of Oregon, and Mr. HERGER.

H.R. 3231: Mr. LEACH, Mr. MARTINEZ, and Mr. NUSSLE.

H.R. 3373: Mr. SCHAEFER, Mr. MOODY, Mr. LUKEN, Mr. HAYES of Louisiana, and Mr. BREWSTER.

H.R. 3528: Mr. JEFFERSON and Mr. COSTELLO.

H.J. Res. 198: Mr. DE LA GARZA, Mr. SKEEN, Mr. VOLKMER, Mr. DE LUGO, Mr. RAVENEL, Mr. SARPALIUS, Mr. MURTHA, Mr. REGULA, Mr. MCDADE, Mr. AUCOIN, Mr. ROBERTS, Mr. BILBRAY, Mr. OWENS of Utah, Mr. ERDREICH, Mr. HAMMERSCHMIDT, Mr. HOUGHTON, Mr. LEACH, Mr. DIXON, Mr. GILCHREST, Mrs. BENTLEY, Mr. MAVROULES, Mr. RINALDO, Mr. LIPINSKI, Mr. HUNTER, and Mr. LANTOS.

H.J. Res. 326: Mr. KASICH, Mrs. MEYERS of Kansas, Mr. DORGAN of North Dakota, Mr. FAZIO, Mr. RAVENEL, Mr. GREEN of New York, Mr. LEHMAN of Florida, Mr. HALL of Ohio, Mr. ECKART, and Mr. GOODLING.

H.J. Res. 340: Mr. PAYNE of New Jersey, Mr. RAMSTAD, Mr. RAVENEL, Mr. REED, Mr. RHODES, Mr. VANDER JAGT, Mr. GUARINI, Mr. RINALDO, Mr. OWENS of Utah, Mr. ROYBAL, Mr. LEHMAN of Florida, Mr. SCHEUER, Mr. RIGGS, Mr. SKEEN, Mr. SPRATT, Mr. KOLTER, Mr. RAHALL, Mrs. VUCANOVICH, Mr. MCDERMOTT, Mr. TALLON, Mr. FORD of Tennessee, Mr. HATCHER, Mr. ERDREICH, Mr. EMERSON, Mr. ANDREWS of New Jersey, Mr. BAKER, Mr. BEVILL, Mr. BILBRAY, Mr. CLEMENT, Mr. HARRIS, Mr. HUCKABY, Mr. JOHNSON of South Dakota, Mr. MOODY, Mr. SPENCE, Mr. TOWNS, Mr. INHOFE, Mr. JONES of North Carolina, Mr. KOPETSKI, Mr. DELLUMS, Mr. MAVROULES, Mr. OBERSTAR, Mr. LAROCCO, Mr. MCGRATH, Mr. GUNDERSON, Mr. HOCHBRUECKNER, Mr. BURTON of Indiana, Mr. STARK, Mr. ESPY, Mr. WEBER, Mr. NEAL of Massachusetts, Mr. NEAL of North Carolina, Mr. GEPHARDT, Mr. LENT, Mr. COLEMAN of Texas, Mr. FALEOMAVAEGA, Mrs. PATTERSON, Mr. LEACH, Mr. SERRANO, Mr. BLILEY, Mr. NAGLE, Mr. QUILLEN, Mr. MARTIN, Ms. NORTON, Mr. DOOLITTLE, Mr. EVANS, Mr. FAZIO, Mr. LIVINGSTON, Mr. CRAMER, Mr. LOWERY of California, Ms. LONG, Mr. JEFFERSON, Mr. WOLPE, Mr. HAMILTON, Mr. HEFNER, Mr. HYDE, Mr. MAZZOLI, Mr. ROE, Mr. PURSELL, Mrs. LLOYD, Mr. HAMMERSCHMIDT, Mr. LIPINSKI, Mr. HEFLEY, Mr. KLECZKA, Mr. OWENS of New York, Mr. BACCHUS, Mr. ENGEL, Mr. YOUNG of Alaska, Mr. YATRON, Mr. VOLKMER, Mr. SOLOMON, Mr. WALSH, Mr. ATKINS, Mr. CHANDLER, Mr. DE LUGO, Mr. DICKS, Mr. WISE, Mr. FUSTER, Mr. HALL of Texas, Mr. LANCASTER, Mr. PAXON, Mr. STALLINGS, Mr. TRAFICANT, Mr. TRAXLER, Mr. WILSON, Mrs. BENTLEY, Mr. GREEN of New York, and Mr. DEFAZIO.

H.J. Res. 345: Mr. ANTHONY, Mr. AUCOIN, Mr. BACCHUS, Mr. BENNETT, Mr. BILBRAY, Mr. BILIRAKIS, Mr. BORSKI, Mrs. BOXER, Mr. CALLAHAN, Mr. CAMP, Mr. CARPER, Mr. CLEMENT, Mr. COLEMAN of Texas, Mr. DARDEN, Mr. DE LA GARZA, Mr. DE LUGO, Mr. DELLUMS, Mr. DICKS, Mr. DOOLEY, Mr. DOOLITTLE, Mr. DORNAN of California, Mr. STUMP, Mr. SYNAR, Mr. TAUZIN, Mr. TORRES, Mr. RAVENEL, Mr. REED, Mr. RHODES, Mr. RICHARDSON, Mr. SCHAEFER, Mr. SERRANO, Mr. GLICKMAN, Mr. ESPY, Mr. FALEOMAVAEGA, Mr. FEIGHAN, Mr. FRANK of Massachusetts, Mr. GEJDENSON, Mr. GEREN of Texas, Mr. GONZALEZ, Mr. GORDON, Mr. HASTERT, Mr. HOBSON, Mr. HORTON, Mr. HUBBARD, Mr. HUGHES, Mr. JEFFERSON, Mr. JENKINS, Mr. JONES of Georgia, Mr. JONTZ, Mr. KASICH, Mr. KOLTER, Mr. KYL, Mr. LAGOMARSINO, Ms. LONG, Mr. MCDADE, Mr. MCMILLEN of Maryland, Mr. MARTINEZ, Mr. MAVROULES, Mr. MILLER of Washington, Mr. MINETA, Mr. MONTGOMERY, Mr. MORAN, Mr. MURPHY, Ms. NORTON, Mr. OLVER, Mr. ORTIZ, Mr. ORTON, Mr. PETERSON of Florida, Mr. PICKETT, and Mr. QUILLEN.

EXTENSIONS OF REMARKS

INTRODUCTION OF THE LEAD EXPOSURE REDUCTION ACT OF 1991

HON. AL SWIFT

OF WASHINGTON

IN THE HOUSE OF REPRESENTATIVES

Friday, October 11, 1991

Mr. SWIFT. Mr. Speaker, today I am introducing legislation that will help remedy one of the most serious environmental health problems we face today: lead poisoning and pollution.

Lead is a heavy metal that has been mined since antiquity. It has a number of useful characteristics, including high density, low melting point, corrosion resistance, malleability and opacity to radiation. Because of its usefulness, lead has become ubiquitous in our society. It is found in the batteries that start our automobiles, in the television sets in our homes and offices, and in radiation shielding in our hospitals. Despite its usefulness, however, lead poses a number of extremely serious environmental and health problems. It is a very formidable neurotoxin. Even limited exposure to lead can cause permanent neurological damage, including impairments to IQ level, short-term memory, ability to concentrate, visual-motor functioning and reaction time. Exposure in adults has also been associated with hypertension in men and pregnancy complications in women. At high doses, lead exposure can cause convulsions, comas, and even death.

Lead is stored in the brain, kidneys, and bone marrow, where it may remain for up to 20 years. Children are especially susceptible: they retain a higher percentage of lead than do adults, and a higher percentage of the lead they retain ends up in their brains, causing developmental and neurological problems. In fact, research indicates that lead can cause serious, lasting damage even at low levels that do not result in any obvious symptoms at the time of exposure. Such studies have led some experts to speculate that there may be no safe level of lead exposure.

Recently, Health and Human Services Secretary Sullivan announced that the maximum safe blood-lead level for children will be lowered to 10 micrograms per deciliter. He has also called for phased-in universal blood screening of children under 6 years old. Clearly lead pollution and poisoning are problems that we must address as expeditiously as possible.

I think all of us were shocked to read the cover story in Newsweek earlier this year that discussed in detail the negative environmental and health effects caused by lead in the environment and in our homes. The article pointed out, and I think we all agree, that the single most dangerous source of lead exposure is lead-based paint. Although lead-based paint was outlawed for us in residential paints over a decade ago, many older homes still contain significant amounts of this substance, which becomes extremely dangerous as it flakes off walls and windowsills and is subsequently picked up by and ingested by small children. The Department of Housing and Urban Development estimates that approximately 12,000,000 children under 6 are exposed to lead-based paint hazards. The estimates of abatement costs for lead-based paint in dwellings are staggering. Lead poisoning occurs in children in all socioeconomic brackets, although poor inner-city children face greater exposure potential because the housing they live in is often in deteriorating condition. These children have enough obstacles to overcome without being poisoned by their dwellings.

Moreover, lead is designated as a major contaminant at approximately 400 of the sites listed on the National Priorities List required under Superfund.

Everyone remembers the asbestos problem, and the panic that ensued when people discovered asbestos in their homes and offices. Hindsight reveals that by trying to remove all asbestos, no matter what its condition, we often created greater exposure problems than we solved. EPA now recommends that asbestos in good condition be maintained, rather than removed, because data indicate that asbestos in good condition often poses little or no environmental health risk.

I believe that parallels can be drawn between the asbestos abatement problem and the lead-based paint abatement problem. By indiscriminately or improperly removing lead-based paint, one can create exposure problems, both inside and outside buildings, where none previously existed. My bill requires EPA to develop extensive training and certification standards for all parties involved in performing lead-based paint abatement work. Moreover, EPA must develop a program to promote lead abatement and measurement, establish standards for laboratories engaged in lead analysis, conduct evaluations of abatement and in-place management techniques and emerging lead abatement technologies, classify wastes from lead-based paint abatement, and conduct studies on occupational lead exposure and elevated blood lead levels in children.

The legislation also restricts lead use in a number of products, including paint, pesticides, curtain weights, construction materials, and certain types of packaging. Moreover, the bill requires that artists' paint, toys and recreational game pieces that are scale collectible models, and stained-glass have labels clearly stating that the items contain lead and should not be accessible to children.

The bill requires the establishment of National Centers for the Prevention of Lead Poisoning. These centers will serve as sources of information to the general public, and will provide technology transfer services as well.

The Subcommittee on Transportation and Hazardous Materials, which I chair, will hold hearings on the Lead Exposure Reduction Act later this month. At these hearings, the subcommittee will take testimony from Representatives of the Congress, the administration, environmental and health groups, and the industries that utilize lead. One issue the subcommittee will discuss at the hearing is how best to address new uses of this highly toxic metal. I hope we can work together to produce a solution to this problem; a solution that protects health and the environment and does not impede critical technological innovation.

I urge all of my colleagues to support this legislation. I look forward to working with my colleagues in the House and in the other body, as well as representatives of environmental, health and industry groups, to enact this critical and timely legislation.

ELAINE YARUS OFFERS HOPE TO STROKE VICTIMS

HON. MEL LEVINE

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Friday, October 11, 1991

Mr. LEVINE of California. Mr. Speaker, I rise today to salute Elaine Yarus, a strong compassionate leader in the Santa Monica-based Senior Health and Peer Counseling Center as she celebrates her 70th birthday on October 24, 1991. As a tribute to Elaine, I would like to share the following article on her stellar accomplishments as was reported in the Los Angeles Times, on Sunday, September 8, 1991. I ask that my colleagues in the U.S. House of Representatives join me in congratulating her on a job well done.

SHE SHARES IN HER HUSBAND'S PASSION, OFFERS HOPE TO STROKE VICTIMS

(By Linda Feldman)

When Elaine Yarus' husband, Norman, had his first stroke in 1974, he decided to devote his life to helping other stroke victims. And he did so until his death two years ago.

Now, Elaine Yarus is taking over where Norman Yarus left off. She was her husband's partner during the years when he ran seven self-help groups—it was her way, she says, of sharing his passion as well as his rehabilitation.

But why go back?

"My husband was actually training me and towards the end he told me to take over," Yarus says. "But when he died I couldn't do it. Now I have this need to continue what he started."

Yarus was taught well. Although she feels empathy toward stroke victims she follows her husband's philosophy—SPS, or "Self Pity Stinks."

"I don't fall all over them with sympathy," she says.

Yarus' approach is simple. She starts out by offering hope.

"The frist thing I do is hold up my index finger and move it up and down and say, 'We'll start with this and hopefully it will progress to dancing.'"

Her method is based on the idea that any little accomplishment is crucial. With her blunt humor, a tough-love attitude and first-hand experience, she offers constructive ideas about physical and attitude improvement and leaves psychological counseling to the professionals.

But she also can speak from personal experience about the realities of being the spouse of a stroke victim.

"There's a big difference when the victim is a wife because women tend to be more accepting," Yarus says. "But the majority of victims are men and a lot of women want out because their husbands become abusive. We work on that. Without a strong bond before a stroke, it's difficult if not impossible to draw on strength afterwards," she says.

Since many stroke victims must adapt to using wheelchairs for mobility, Yarus says they frequently experience frustration at losing a degree of control over their lives.

"We have a buddy system where everybody calls one other person every day," she says. "It doesn't matter if they feel good or bad, it's about making contact. I remember two clients called one another and watched a baseball game together cheering into the telephone."

And there's homework. Yarus asked one of her groups to research restaurants where they could eat for under $10. After everyone did the field work, they put together a booklet. "We also pooled our resources and put together a reference library of medical supplies that enhanced their lives. Anything to improve their everyday living and, most important, learning how to deal with what is, not with what was, gives these people more control over their lives," she says.

Besides being, in her words, "the grandmother of the century" to her three grandchildren, Elaine Yarus has always been a giver and a doer. She is involved with SAFE—Senior Alliance for Frail & Elderly—and goes to visit patients in rest homes. She also takes classes at Santa Monica Emeritus College.

Yarus sees her clients every Wednesday from 1:30 to 3 p.m. at the Santa Monica-based Senior Health and Peer Counseling Center at 2125 Arizona Ave. For more information call (213) 828-1243.

IN MEMORY OF MRS. EMILY LARKIN WOODY

HON. JULIAN C. DIXON

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Friday, October 11, 1991

Mr. DIXON. Mr. Speaker, I rise today to pay tribute to the life and legacy of Los Angeles educator and civil rights leader, Mrs. Emily L. Woody, who died February 1, in her Los Angeles home.

Mrs. Woody was born and raised in Los Angeles and graduated from Jefferson High School. She completed her bachelor's degree at the University of California at Los Angeles, before going on to earn a master's degree from Loyola University in Los Angeles. For years, Mrs. Woody taught in the Los Angeles Unified School District. She found that basic verbal skills deficiencies prevented students from reaching their potential in and outside of the classroom. "Children all used to read * * *. Then they stopped teaching phonics—and children stopped reading," she observed. Mrs. Woody did not simply recognize the problem. She committed herself to making a change.

In 1962, Mrs. Woody retired from classroom teaching to develop an innovative program to accelerate reading skills development for children and adults, called Phonetic Rock. In 1972, she contracted with Sussex Records to produce and distributed the unique audio reading program. Later, Mrs. Woody created her own sales and distribution company, Multi-Learning Enlistment, Inc., to market the program. Mrs. Woody wrote and recorded 32 songs in addition to the narration. "Phonetic Rock" has been praised by educators and public officials from Los Angeles Mayor Tom Bradley to California Superintendent of Schools Bill Hoenig, and continues to be employed by teachers in classrooms and other educational settings in the Los Angeles area.

Mrs. Woody was also a leader in the civil rights arena, founding the American Council of Human Rights and serving on the executive board of the Los Angeles chapter of the National Association for the Advancement of Colored People. Under her direction, the American Council of Human Rights sponsored a speech contest to promote civic awareness and participation among young people, entitled "What Does My Vote Mean?"

During her career, Mrs. Woody earned two life California teaching credentials and one State psychometric credential. She also garnered awards from a number of community organizations for her efforts in the areas of education and civil rights. By far, however, her proudest accomplishment was "Phonetic Rock," the production and distribution of which she continued to oversee until her death. Mrs. Woody's daughter and son-in-law, Claudia and Ira Thomas, pledge to carry on her work with Multi-Learning Enlistment, Inc. from their home in Austin, TX.

While Emily Woody's greatest impact was among African-American students, the educator taught children from various racial and ethnic backgrounds during the course of her dedicated career. She recognized the universal value of literacy for all people and sought to ensure that no one within her reach would be impeded by an inability to read and communicate effectively. "I have found that all children have the same need to read," she said. "Learning begins with reading; the way out of the ghetto begins with reading."

Please join me, Mr. Speaker, in celebrating Mrs. Emily Larkin Woody's commitment to dismantling the barriers of illiteracy.

TRIBUTE TO FORD-UAW APPRENTICESHIP PROGRAM

HON. DAVID E. BONIOR

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Friday, October 11, 1991

Mr. BONIOR. Mr. Speaker, it is a great honor for me, and particularly the working men and women of Michigan's 12th Congressional District whose livelihoods depend on the auto industry, to congratulate the Ford-UAW Apprenticeship Program on the occasion of its 50th anniversary.

At a time when our country is fiercely struggling to preserve its industrial base, the Ford-UAW Apprenticeship Program is making major contributions to our ability to compete.

This world-class program produces some of America's finest skilled trades personnel. Over the years, more than 22,000 men and women have graduated in trades that are critical to the efficient manufacture and assembly of quality cars and trucks—electricians, tool and die makers, machine repairers, plumbers-pipefitters, millwrights, and many others.

The success of this program is due in large part to the common vision Ford and the UAW share about the future. As one of the earliest joint management-union efforts in American history, Ford and the UAW know that tomorrow's workers will always need to develop new skills to adapt to the changing demands of competitiveness and technology.

For a half century, Mr. Speaker, the Ford-UAW Apprenticeship Program has played a vital role in developing skilled trade expertise in the auto industry. Many of its graduates have later gone on to leadership positions within business, labor, and the community.

So on this special occasion, I am especially pleased to salute all the participants of this important program. The United Auto Workers, Ford Motor Co., and the thousands of workers who have completed its rigorous requirements can be proud of their long and successful history of cooperation and teamwork.

HONORING CHICAGO, IL, BUSINESSMAN ROBERT J. SMITH

HON. DAN ROSTENKOWSKI

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Friday, October 11, 1991

Mr. ROSTENKOWSKI. Mr. Speaker, I would like to congratulate an outstanding man and community leader on the occasion of his election to the presidency of the National Funeral Directors Association. Robert J. Smith, owner and director of Robert J. Smith Funeral Homes, Inc., located in Chicago, IL, has been a licensed funeral director and embalmer in Illinois since 1946 and has been very active in both the National Funeral Directors Association and other community activities in his area throughout his career.

Throughout his involvement with the National Funeral Directors Association, Mr. Smith has been an asset to the association. His contributions as a member of the disaster, preneed, embalming, hospitalization, and budget committees were unequaled. Most recently, Mr. Smith has served the association as president-elect 1990–91; vice president, 1989–90; and treasurer, 1988–89.

An Illinois native, Mr. Smith received degrees from DePaul University and the Worsham College of Mortuary Science. In 1973, Mr. Smith was elected president of the Illinois Funeral Directors Association and was also a member of the State of Illinois Department of Professional Regulation, Embalmers, and Funeral Director and Embalmers Licensing Board.

An outstanding community leader, Mr. Smith received the Mayor Richard J. Daley Police

Medal of Honor in recognition of his meritorious service to the Chicago Police Department in 1980.

In his continuing effort to educate others about funeral services and the needs of consumers, Mr. Smith has lectured at the Worsham College of Mortuary Science, the Illinois State Funeral Directors Association, and the Southern University at Carbondale Department of Mortuary Science.

The National Funeral Directors Association has elected an able and respected leader as their president. They are fortunate to have such a leader, and I commend Mr. Smith on the occasion of his election.

TRIBUTE TO JOHN SAYLES

HON. BEN JONES

OF GEORGIA

IN THE HOUSE OF REPRESENTATIVES

Friday, October 11, 1991

Mr. JONES of Georgia. Mr. Speaker, with the release of his first feature film, "Return of the Secaucus Seven" 10 years ago, writer/director John Sayles emerged as a leader of the American independent film movement.

Through his work as an author, screen writer, director, and producer, Mr. Sayles has distinguished himself as one of America's premier contemporary storytellers, whose works explore the drama, the difficulties, and the triumphs of everyday working people in America.

Mr. Sayles is currently here in Washington in conjunction with his latest feature film "City of Hope" which reflects the enormous challenges facing communities within America's urban cities.

Mr. Speaker, I would like to take this opportunity to recognize Mr. Sayles for his role as leader and innovator within America's film industry and, most especially, for his creative contribution to our country's cultural heritage.

CELEBRATING COLUMBUS DAY

HON. HELEN DELICH BENTLEY

OF MARYLAND

IN THE HOUSE OF REPRESENTATIVES

Friday, October 11, 1991

Mrs. BENTLEY. Mr. Speaker, distinguished colleagues, I would like to take this time to celebrate with the Italian community Christopher Columbus' brave trips of exploration to the New World. The voyage Columbus made with his small crew in 1492 would change the path of history the world would take.

After finally persuading the Spanish King and Queen, Ferdinand and Isabella, to fund his expedition, Columbus acquired the ships *Nina*, *Pinta*, and *Santa Maria*, thus setting forth to seek fortune in the unexplored regions of the world. Their fourth, and final journey, would last over a grueling 30 days and 4,500 miles with only the stars and experience to guide them. His courageous voyage would help to map the world during a time when many still believed it to be flat.

Columbus' drive and commitment to his expedition led him to discover a New World. Not only did he find a land filled with treasures, but what he found was even more priceless. This New World Columbus found soon would be colonized to become our Nation, a nation built on the visions of undaunted persistence and independence, that Columbus fought to achieve almost 500 years ago.

Today, as we celebrate Columbus' courageous spirit, we remember it was this same courage that led our forefathers to come to settle our Nation. The Old World soon turned to the New World for wealth. It is this same entrepreneurial spirit that the American small businessman and investor still possess.

In Maryland, the Italian-American community has maintained its ethnic heritage and remembers with pride the voyage of Christopher Columbus. His name will always be synonymous with exploration and the New World.

It is duly appropriate that Baltimore's new Biotechnology Research Center is to be called the Christopher Columbus Center. Reflecting the name of the greatest adventurer in Italian history, and reminding us that those who work there are today's heroes and explorers.

It is on this day that the Italian-Americans of our country are called to remember with pride the contributions of Christopher Columbus to the world, both "Old" and "New."

NOTRE DAME ACADEMY

HON. MEL LEVINE

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Friday, October 11, 1991

Mr. LEVINE of California. Mr. Speaker, I rise today to recognize Notre Dame Academy, its principal, Sister Gina Marie, S.N.D., and the community of students, parents, alumnae, and teachers who have worked together to make Notre Dame the outstanding high school it is today. I also wish to extend my heartfelt congratulations to Notre Dame Academy on its being chosen by the U.S. Department of Education as one of the recipients of the 1991 Blue Ribbon Awards for excellence in education.

Established in 1949, this college-preparatory Catholic high school for girls has provided a positive, challenging, and interactive environment for young women with varied ethnic, social, and economic backgrounds. Notre Dame Academy was 1 of only 53 private schools in the country and the only school chosen in Los Angeles by the Department of Education according to their rigorous requirements for the Blue Ribbon Award.

The Blue Ribbon Award schools are evaluated on such factors as use of an up-to-date and rigorous core curriculum and instruction, maintenance of a safe, orderly, and drug-free climate for students, and encouragement of strong parent and community support. It is clear that Notre Dame Academy has excelled in all of these areas, and many others as well.

Notre Dame Academy has a full and balanced program of student activities beyond the world of academics. These include a popular and successful sports program, a campus ministry group, various volunteer service organizations, and several traditional activities, all of which serve to broaden the experiences of the young women attending the academy.

It is a pleasure to bring Notre Dame Academy's outstanding achievement to the attention of my colleagues in the House of Representatives, and I ask that they join me in congratulating this exemplary high school on a job well done.

TRIBUTE TO REV. MANUEL AVILA

HON. CURT WELDON

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Friday, October 11, 1991

Mr. WELDON. Mr. Speaker, I rise today to pay tribute to an outstanding American, Rev. Manuel Avila, the pastor of the Springfield Baptist Church, in Springfield Township, PA. Reverend Avila has announced that he will retire from his pastoral duties on November 15, 1991, after 34 years of service to his congregation.

During his tenure with the Baptist Church of Springfield the membership has grown from less than 200 to well over 550, and several young people have gone to the seminary for a life of Christian vocations. Reverend Avila has led seven work parties to Central America to assist in the building of churches in those countries.

Reverend Avila has become well known nationally too. He has served as the president of the Regional Baptist Churches of Pennsylvania and Delaware. He is also serving his second term as the moderator of the county-wide Riverside Baptist Association. Last year, the American Baptist Churches of USA recognized him as the leader of the second highest contribution drive in the United States.

The people that have benefited the most from Reverend Avila's service have always been his own congregation. Reverend Avila visited over 900 parishioners last year. He served 3 weeks a year as the Chaplain of the Week, at Taylor Hospital and provides scores of counseling and emergency calls for those people in need.

Mr. Speaker and fellow colleagues, Rev. Manuel Avila has served the congregation of the Springfield Baptist Church with a strong commitment to excellence. He provides inspiration not only to those living in his parish, but to those across the country who share his faith and values. We will surely miss the service that he provides, but his service and record will be an inspiration for all to follow. Please join me in congratulating Reverend Avila on the announcement of his retirement from the Springfield Baptist Church in Pennsylvania.

MOSCOW HUMAN RIGHTS MEETING FAILS TO RESOLVE OUTSTANDING HUMAN RIGHTS CASES

HON. STENY H. HOYER

OF MARYLAND

IN THE HOUSE OF REPRESENTATIVES

Friday, October 11, 1991

Mr. HOYER. Mr. Speaker, October 4 marked the final day of the Conference on Security and Cooperation in Europe's [CSCE] mandated Conference on the Human Dimension [CDH] which had been taking place in Moscow for the past 4 weeks.

This gathering of the 38 participating states of the Helsinki process was the final of three meetings of the CDH. Previous meetings, held in Paris in 1989 and Copenhagen in 1990, addressed issues relating to human rights and humanitarian cooperation among the participating states and produced concrete results both in terms of implementation and new commitments.

This series of forums provided the Soviet Union an opportunity to wipe its slate clean as it relates to outstanding family reunification human rights cases, many of which have been on the books for 5, even 10 or more years. At a CSCE meeting in 1988, I called for a "zero option" for human rights: Zero political prisoners; zero divided families; zero refusals on requests to emigrate or return; zero broadcasts jammed; zero restraints on religious observance and teaching; and zero curbs on free communication, assembly, and association.

We are certainly closer to that goal than we could have imagined in 1988. However, Mr. Speaker, during the Moscow meeting, the Soviets missed a unique opportunity to, at long last, wipe clean that slate. Very few, if any, longstanding refusenik cases were resolved. People like Vasily Barats, Moisey Iskin, Roman Sorkin, Solomon Smolyar, and Dimitri Berman are still in the Soviet Union this week against their will, while the delegates of the participating states have returned home.

The Soviet Union, in giving its consensus to the Vienna concluding document, undertook a commitment to resolve outstanding human contacts cases by July 1989. Today, over 2 years later and with an international human rights meeting in its own backyard, some of these cases remain unresolved and others have been added to the list. The time has come to wipe the slate clean. I would argue, Mr. Speaker, that the United States sent the wrong message by walking away from this meeting while others who have sought the right to leave remain behind.

TRIBUTE TO ANNE B. BUTLER

HON. JOHN D. DINGELL

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Friday, October 11, 1991

Mr. DINGELL. Mr. Speaker, I want to pay tribute to Mrs. Anne B. Butler, assistant clerk to the Committee on Energy and Commerce, who retired at the end of August from Federal service after more than 30 years of service to her country and the Congress. Mrs. Butler has been a member of the Energy and Commerce Committee staff since 1980.

Anne graduated from the University of North Carolina at Greensboro with a degree in business administration and began her career as a staff member for her Congressman, the late Alton Lennon of North Carolina, in 1957. After Congressman Lennon's retirement in 1973, Anne worked for the Senate Judiciary Committee, Congressman Ray J. Madden, and the House Judiciary Committee before joining the staff of the Energy and Commerce Committee. She is a popular staff member on Capitol Hill, and those who know her are aware of her devotion to her home State of North Carolina. She served as president of the North Carolina Democratic Club of Washington, DC, from 1971 to 1973 and also served on the board of directors for the North Carolina State Society. Anne is an active member of her church, a former Sunday school teacher, and currently a member of the choir at the Dulin Methodist Church in Falls Church. A devoted mother, Anne and her husband, Dan, have two grown children, Logan and Dianne.

I regret the loss of Anne's many talents on the committee, and all of us who have worked with her will miss her. We wish her well as she embarks on a new phase in her life and hope that she and Dan have many years of travel and enjoyment.

ANTONIA W. GARY: NATIONAL MINORITY BUSINESS ADVOCATE OF THE YEAR

HON. ILEANA ROS-LEHTINEN

OF FLORIDA

IN THE HOUSE OF REPRESENTATIVES

Friday, October 11, 1991

Ms. ROS-LEHTINEN. Mr. Speaker, I am pleased to recognize today, Antonia W. Gary, a Miami-Dade Community College official who recently received the National Minority Business Advocate Award from the Minority Business Development Agency [MBDA] of the U.S. Department of Commerce.

This award was presented to Ms. Gary at the Minority Business Enterprise Awards Banquet by MBDA Director Joe Lira and U.S. Small Business Administration [SBA] Associate Administrator Judith Watts. The awards banquet was held here in Washington in the Sheraton Ballroom at the Sheraton Washington Hotel on September 27.

The banquet was part of ceremonies honoring Minority Enterprise Development [MED] Week, September 23 through 27. Created 9 years ago by the MBDA and the SBA, the theme of this year's MED celebration was "Building a Stronger America Through Minority Business Development."

Ms. Gary received this honor, in part, for her work as associate dean and executive director of the Entrepreneurial Education Center of Miami-Dade Community College, North Campus. She is well known for her efforts to build minority business enterprise. Under her leadership, the education center has become a leading resource for minority entrepreneurs in the Miami area.

Among her achievements was designing a comprehensive library providing technical business training. She was also instrumental in negotiating an agreement with the Greater Miami Convention and Visitor's Bureau to provide undergraduate degrees in tourism to help blacks gain management positions in the tourism industry. She also developed a special business advisory program that has led to the creation of more than 50 black-owned businesses in Dade County, FL.

Ms. Gary also proved the practical value of her knowledge and advice by starting her own businesses. She was the co-owner of a Chicken George fast food restaurant and a beauty salon.

She has been active in many civic, community and professional organizations, including serving as executive director of Greater Miami United. She also serves as a liaison to Florida's Department of Commerce, the SBA, the MBDA, and the U.S. Housing and Urban Development's Action Grant Program.

I am pleased to take this opportunity to thank Ms. Gary for her invaluable efforts to make the American dream come alive for all Americans. Her work has contributed much to making Miami a better place to live for everyone.